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華誼騰訊娛樂

ANNUAL REPORT 2021

華誼騰訊娛樂有限公司
Huayi Tencent Entertainment Company Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00419)

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

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CONTENTS

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Mr. YUEN Kin
Mr. CHU Yuguo

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. HAU Wai Man, Raymond

INDEPENDENT AUDITOR

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CEO'S STATEMENT

I am pleased to present the annual results of Huayi Tencent Entertainment Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2021.

2021 was a year with plentiful challenges and opportunities. The Group had kept abreast of the latest trend of the market and adjusted its strategy agilely so as to answer changes and grasp chances. With more emphasis attached to health in the post-pandemic era and more reliance on the internet, the demand for online healthcare services has been ever increasing. Thanks to the successive introduction of favourable policies, the smart healthcare sector in China had already surpassed the RMB100 billion mark in value. The Group, well aware of the direction of the market in advance, had already established its strategic layout accordingly. In order to attain fresh opportunities and rewards, the Group had, over the past year, formally set foot in the digital healthcare sector and started a new chapter in the business of the Group by actively acquiring an online prescription platform and establishing a joint venture for smart healthcare services.

In April 2021, the Group had acquired "Echartnow", a new retail platform which offers online prescription, circulation and marketing of pharmaceutical products. By doing so the Group is now able to reach out to stakeholders of the entire industry chain and target to building up an entire healthcare ecosystem. By the year end, revenue generated from "Echartnow" platform was already more than HK$36 million. Meanwhile, the Group has formed a joint venture "Meerkat Health" together with the industry elites in October 2021. The joint venture, with effective combination of the industrial internet and consumer internet, focuses on health management and covers products and services such as the circulation platform for the pharmaceutical supply chain, the service platform for healthcare services users and the system for digitalised medical products. This one-stop platform for smart healthcare services has already recorded revenue of more than HK$22 million by the end of the year. Through these two digitalized healthcare services platforms, the Group has successfully established its market coverage with regard to internet healthcare and enhanced its footprint in the smart healthcare services which remains a new market to be charted.

"Internet + Medical Services" is the key direction of the healthcare reform of the PRC, and the Group will actively complement this policy and exploit the rapid development of the Internet healthcare industry. At the same time, the Group will continue its efforts in recruiting industry elites in the field and investing more resources for the accelerated growth of the smart healthcare services platforms, namely "Echartnow" and "Meerkat Health". By the continuous upgrade and popularisation of the platforms, they are believed to be capable of bringing the Group an explosive boost in revenue in the future. The Group will also monitor the latest trend of the industry closely and scout internet healthcare projects with potential, in order that a range of diversified smart healthcare services may be provided. The Group will focus its layout in business related to internet healthcare services, with a view to grasp the unprecedented opportunities brought forth by the medical reform and the digitization of the industry.

As for the Entertainment and Media operation, the Group has also actively adopted the approach of a diverse strategic footprint in response to the evolution and change of the industry. The operation of theatres had yet to spring back to normalcy fully due to the volatility of the pandemic. The popularisation of streaming platforms, nonetheless, has brought new opportunities to the media industry. The market predicts that by 2025 there will be as many as 1.4 billion subscribers of streaming media across the globe. In the year the Group had actively pursued its progress towards digitization by broadcasting its media products via different channels, so as to secure new source of revenue from its Entertainment and Media operation. The revenue from the Entertainment and Media operation had exceeded HK$150 million by the end of 2021. "Space Sweepers" and "Cherry", both jointly financed and produced by the Group, were presented to worldwide audience (except those in the PRC) in the year through Netflix and Apple TV+, attaining attention and satisfactory response from both the market and the viewers. It remains difficult to tell how the world will be affected by the pandemic in 2022 when the winding road of the media industry remains bumpy. Even though the streaming platforms offer a way out for the industry, the pandemic still has a profound impact on the production of films and dramas. Due to the uncertainty, the Group will take a conservative and prudent stance while selecting and investing in appropriate movie projects, slow down its pace of investment and adjust its layout and direction of the Entertainment and Media operation as appropriate.

Looking ahead, the Group will continue the focus on its business of internet healthcare services, consolidate the development of its various operations actively, strengthen the strategic planning of the Group, realise a more stable business blueprint in the long run and maximise the returns for its shareholders.

May I also take this opportunity to, on behalf of the Board, express gratitude to the shareholders, investors and business partners for the trust and support all along, and to all our staff who had been performing their duties in an arduous year with diligence for bringing the Group to new heights.

YUEN Hoi Po
Executive Director and Chief Executive Officer
Huayi Tencent Entertainment Company Limited

Hong Kong, 31 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

2021 is a key year during which the Group has resolutely implemented its strategic layout in the areas of internet pharmaceutical and healthcare services in the PRC, whose market has the biggest potential of growth in the world. Thanks to a string of reforms carried out by the Government of the PRC in the field, the industry is now on the highway to digitalization. In April 2021, the Group has acquired "Echartnow", a new retail platform for online prescription, circulation and marketing of pharmaceutical products and, by the end of the year, its revenue was already more than HK$36 million. In October 2021, together with industry elites, the Group has formed a joint venture "Meerkat Health" which, with effective combination of the industrial internet and the consumer internet, focuses on health management and covers products and services such as the circulation platform for the pharmaceutical supply chain, the service platform for healthcare services users and the system for digitized medical products. Revenue arising from "Meerkat Health" by the end of the year had already exceeded HK$22 million. Through the aforementioned moves, the Group has formally set foot in the internet healthcare market and has been actively seizing the "first mover" advantage. The Group is realising its goal of diversified development by further enriching its operations in healthcare and wellness services.

As for the Entertainment and Media segment, the unpredictable pandemic continues to cast a shadow on the road to recovery of economy as the economic activities have yet to resume to normalcy. The industry has seen glimmers of hopes since the second half of 2021, with theatres in most countries and regions have gradually re-opened or operated on a limited scale, and the new means of entertainment, i.e. online streaming platforms, gradually overtaking the market in the "post-pandemic era". The Group has been keeping close tabs on the market trend and formulating its strategies in response to the latest circumstances. During the year a number of films were arranged to be screened on the streaming platforms, with "Space Sweepers" and "Cherry" attaining commendable reviews and result. "Extinct", on the other hand, was given dual debut in theatres and streaming platforms, and such arrangement had brought a breakthrough in growth in revenue of the Entertainment and Media segment of the Group.

BUSINESS REVIEW AND PROSPECTS

(1) "Echartnow", a platform for online prescription, circulation and marketing of pharmaceutical products

During the past few years, the regulatory bodies of the PRC have been enthusiastic about supporting and encouraging the rapid development of the regularised internet healthcare sector. In November 2020, the National Medical Products Administration promulgated "Measures of Supervision and Administration of the Online Drug Sale (Consultation Paper)" in which it was announced that drugs trading could be conducted on the internet if the electronic prescription could be ensured to be authentic and reliable. In October 2021, the National Health Commission issued "Rules for Regulation of Internet-based Diagnosis and Medical Treatment (Consultation Paper)", which had delineated clearly healthcare, drugs and technology services, specified the trend of "separation of drug prescription and dispensing". According to "PRC Prescription Drug Market Operational Risk and Developmental Trend Analysis Report, 2020-2026" by the Intelligence Research Group, the scale of prescription drug outflow from medical institutions (i.e. handing the right to purchase prescription drugs to the patients) in 2020 was approximately RMB400 billion to RMB500 billion, and the outflow shows signs of further increase with the National Healthcare Security Administration carrying out volume-based purchase. Coupled with the effect brought by the pandemic, more and more actions and scenes of the entire healthcare industry have been transferred from offline to online swiftly.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

In April 2021, the Group has completed the Acquisition and Capital Increase of 51% equity interest in the Pingtan Xinban Clinic Company Limited ("PTXB") at a consideration of RMB40,000,000. PTXB and its subsidiaries ("the Target Group") owns a physical clinic and their business scope includes "Internet-based diagnosis and medical treatment", possessing comprehensive permits such as "Practicing License for a Medical Institution", "Qualification Certificate for Drug Information Services over the Internet" and "Certificate of Grade III Protection of Information System Security". The Target Group has developed and operates its new retail platform "Echartnow" which covers online prescription, circulation and marketing of pharmaceutical products. Through the model of "private traffic" and different interfaces, the platform connects doctors, patients, physical pharmacies and pharmaceutical companies closely and offers different user terminals in the healthcare industry their own "digitized enterprise operation solution".

If the Target Group's revenue amounts to no less than RMB150,000,000 within one year from the completion of the aforementioned Acquisition and Capital Increase, RMB11,000,000 shall be paid and settled by the allotment and issue of consideration shares to the founding shareholders of the Target Group at the price of HKD0.529 per share and RMB50,000,000 shall be paid to the Target Group as additional paid-in capital. If the revenue and net profits of the Target Group are no less than RMB600,000,000 and RMB40,000,000 respectively in the year thereafter, RMB10,000,000 shall be paid to the Target Group as additional paid-in capital and RMB93,000,000 shall be paid and settled by the allotment and issue of consideration shares to the founding shareholders of the Target Group at the price fixed by a predetermined mechanism. For details, please refer to the Company's announcements dated 7 April 2021 and 20 December 2021.

Business Review

The team size of "Echartnow" platform had expanded rapidly from a dozen at April 2021, when the capital increase and acquisition of PTXB was completed, to almost 200 by the end of 2021. 9 operation centres have been established across the country and its business now covers 23 provinces. "Echartnow" platform dedicates itself to the establishment of an integrated healthcare platform which covers different users of the industry and offers them different "digitized enterprise operation solutions":

- Pharmaceutical companies — digitized marketing solutions

- Physical pharmacies — professional digitized pharmacy solutions, facilitating the pharmacies to get connected with doctors and patients

BUSINESS REVIEW AND PROSPECTS *(Continued)*

- Doctors — closed-loop online consultation scene, including management of patients and electronic prescription, etc.

- Patients — they can now approach a doctor easily for online follow-up appointment and consultation and order of prescribed drugs, etc. via the WeChat mini-app "Echartnow Assistant to Medical Advice"

As at the date of this Annual Report, "Echartnow" platform and its related marketing network have already covered more than 50,000 doctors (with over 17,000 of them registered with "Echartnow" platform) and more than 30,000 physical pharmacies. Over 190,000 patients have registered with "Echartnow" platform, whereas the registered number of pharmaceutical products on "Echartnow" exceeds 110,000.

By the end of 2021, the revenue generated by "Echartnow" platform was already more than HK$36 million. Its major sources of revenue included:

1. *Online Drug Prescription and Circulation Service*

   Under the broad direction of the medical reforms of the PRC, the trend of "separation of drug prescription and dispensing" is becoming more apparent. The result is that more and more prescribed drugs have been pulled out from the dispensaries of the public major hospitals and many patients, with the prescription issued by doctors, cannot obtain the drugs from these dispensaries. To address this need, "Echartnow" platform, through the model of "private traffic" and different interfaces, connects doctors, patients, physical pharmacies and pharmaceutical companies closely and offers a closed loop covering the issuance of electronic prescription by doctors, the patients' purchase of prescribed drugs from pharmacies, online payment and delivery of drugs. The WeChat mini-app run by "Echartnow" platform can inform the patients about the pharmacies nearby which provides the drugs they seek, quote the price and details of these drugs and guide them to these pharmacies for self-pick-up or delivery after online payment. At the same time, the designated interface of "Echartnow" platform allows the doctors to issue and manage the electronic prescriptions, and circulates these prescriptions to the retail terminals of the pharmacies from which the patients choose to purchase the drugs. As for the pharmacies, "Echartnow" platform offers them the professional interface for retail and inventory management and connects them to the electronic prescriptions and the supply chain of drugs. The pharmacies will be charged platform service fee, with the amount being a certain percentage of the Gross Merchandise Value made by the patients via "Echartnow" platform in these pharmacies.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

2. *Digitized Marketing Service*

Against the backdrop of the pandemic and the progressive increase in ratio of online spending, the marketing of drugs by the pharmaceutical companies has gradually extended from offline (such as academic conference) to online. Since the doctors on registered on "Echartnow" platform have all been authenticated with their real names, the pharmaceutical companies or major channels of drug distribution can promote their products precisely and foster the targeted doctors' habit of both issuing prescription and staying online. The online marketing activities provided through "Echartnow" platform include push of professional articles, live broadcast of academic conferences online, the production and promotion of academic short videos and training on product knowledge, etc.

"Echartnow" platform enables the pharmaceutical companies to begin online medical researches on the clinical effect of drugs in a legitimate and legal way. Not only can such move assist the doctors in making strides in scientific knowledge but also fill the gap of research information in the new functions of the drugs.

Through the online drug prescription and circulation services rendered by "Echartnow" platform, the pharmaceutical companies can broaden their distribution channel of drugs outside the hospitals and open up their access to doctors and professional pharmacies and "Echartnow" platform can offer a complete set of services to the pharmaceutical companies.

By offering the aforementioned services to the pharmaceutical companies or major distribution channels of drugs, "Echartnow" platform can earn fees with respect to technical services, marketing, development of channels, etc. At the same time, it can further broaden its basis of doctors and pharmacies with the participation of pharmaceutical companies and their sales teams.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Prospects

The details of the implementation of the medical reforms may be promulgated in 2022. At the moment, while the monitoring network of prescription in each province has taken shape, the electronic health insurance has been making progress and the digitization of multiple-site physician practice is being materialized. These have all significantly boosted the development of the business of "Echartnow" platform with respect to online drug prescription and circulation.

As for the business for digitized marketing solution, "Echartnow" platform will endeavour to offer the pharmaceutical companies digitized marketing solutions of drugs through the "online-merge-offline" synergistic development. On one hand it assists the pharmaceutical companies in attaining an effective marketing conversion rate and sales growth, and on the other hand it can enhance the terminal accessibility of the pharmaceutical products. In order to achieve the relevant targets, "Echartnow" platform will continue to invest in developing and providing more solutions, as well as improving the functions of the existing solutions.

(2) "Meerkat Health", an Internet Healthcare Management Platform

In the past two years, the persistent pandemic has profoundly influenced the way we live and consume, as well as the direction of the PRC's policy with regard to the healthcare industry. The PRC had announced a series of policies to support and encourage the healthcare services industry, in particular the internet healthcare industry's development.

On 11 March 2021 during the 4th session of the 13th National People's Congress the "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035" ("the Outline") was approved. It proposes to, *inter alia*, give strategic priority to the protection of the citizens' health, to maintain the emphasis on prevention, to diligently execute the "Healthy China" Initiative, to refine the health improvement measures, to reinforce the safety net of the national public health and to offer the citizens an all-round and full-life-cycle healthcare service. At the same time, the Outline has also explicitly proposed to make use of the digitization as a driving force to revolutionise the ways we produce, live and manage, as well as to focus in key areas such as education and healthcare and to promote the digitization in public service agencies such as schools, hospitals and nursing homes. Furthermore, it is said that the community should be mobilized to participate in "Internet + Public Service" and provide innovative service modes and products.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

The emphasis on health and the implementation of public health policies are the two contributing factors to a speedier development and innovation of the industry. Following the latest trend in policy and economy closely, the Group has established the joint venture "Meerkat Health" together with industry elites, adding the Internet Healthcare Management segment to its portfolio.

Business Review

The enterprise mission of Meerkat Health is "to be the expert in safeguarding the health of your family". It continues to make its mark in the pan-health industry with a forward-looking business strategy and is devoted to effectively combine the industrial internet and consumer internet in the healthcare management industry. Its strategic positioning is "a full-life-cycle and full-scene healthcare management services platform with the supply chain as its core, the medical services as its means and the digital technologies as its drive", and its value proposition is to bring about good drugs, good services, good health, good family and good technology by dedicating itself to offer all-round healthcare services which cover the entire course and cycle to everyone.

Since its commencement in the second half of 2021, Meerkat Health has expanded rapidly. As at the end of 2021, its team consists of more than 70 staff and has successfully developed platforms for supply chain of drugs and healthcare services, as well as the system for digitized medical products. Within a few months its revenue had already exceeded HK$22 million.

1. *Platform for Supply Chain of Pharmaceutical and Healthcare Products*

   Meerkat Health's nationwide platform for supply chain of pharmaceutical and healthcare products targets at companies engaged in pharmaceutical, medical equipment or health products. It covers the omnichannel drugs, medical equipment, dietary supplements, nourishing products and other health-related products. Thanks to its innovative tools in digital intellectualization, the platform has provided the offline self-run and franchised pharmacies a digital intellectualized and one-stop omnichannel solution.

   By the end of 2021, Meerkat Health has already established two pharmaceutical wholesale companies in the Anhui and Zhejiang provinces and commenced business collaboration with almost 20 well-known brands in the healthcare industry.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

2. *Platform for Internet Healthcare Services*

   Meerkat Health has established a full-life-cycle and full-scene platform for healthcare services which caters the needs of consumers. Its users can enjoy the high-quality and diversified products of healthcare services. Currently, Meerkat Health's platform for healthcare services, namely "Meng Xiao Mei", is offering services such as online consultation, science knowledge and appointments for vaccination, as well as appointment for body check, health check at home, etc. Meerkat Health has also reached agreement for strategic collaboration with a famous Grade A tertiary hospital with an aim to explore the new model of "internet + healthcare services".

   As at the end of 2021, the online consultation, science knowledge and appointment services for vaccination provided by "Meng Xiao Mei" have already covered 65 cities across the nation (including all first-tier cities and most second-tier ones). The platform is also collaborating with almost 30 Grade A tertiary public hospitals to offer body check services. Its cumulative number of visitors has already surpassed 500,000.

3. *System for Digitized Medical Products*

   Meerkat Health has developed "Galaxy" system for digitized medical products. Its three major product lines are MK Digital OS, MK Digital Customer and MK Digital Doctor, representing digitized management system for specialist clinics, full-life-cycle health management system for users and a system for internet hospitals, respectively. Through its digitized platform, "Galaxy" system can realise the mutual access between different systems. It represents an upgrade in digitisation and creates a technology closed-loop in which the online and offline are united.

   At the moment, version 1.0 of MK Digital OS is already in use in a body check centre of a Grade A tertiary hospital and helps accomplish the upgrade of its digitisation.

Prospects

Due to the population ageing in the PRC, new urbanisation and the improvement of the basis medical insurance system, as well as the continuous increase in disposable income per capita and more emphasis being attached to health, the healthcare services market of the PRC continues to expand and in the near future the expenditure in healthcare will enter a stage of long-term and progressive growth. In the pan-health industry, the concept of "preventive treatment" will become the latest trend of the healthcare management sector.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Meerkat Health, as a digitized healthcare services platform newly emerged under such circumstances, provides a one-stop solution with digitized systems, online and offline operations and omnipotent promotion to its partners in the healthcare industry, such as the medical institutions and companies of pharmaceutical, medical equipment and production of health products. Through the standardised flow the users' experience of medical healthcare services will be improved. Meanwhile, with the health management model reinvented and the supply of health-related products and services enriched, the upstream and downstream companies in the supply chain will be prompted to improve in terms of quality, diversity and technology. The efficiency of the entire supply chain will, as a result, be effectively enhanced. Meerkat Health will devote itself to establish for its users a one-stop healthcare services platform which saves them from "worrying about serious illnesses and going to the hospital for minor discomfort" and allows them "to be taken care by the health experts". They can therefore enjoy personalised and diversified professional healthcare services safely and conveniently.

Following the successful development of the relevant products and services, the Groups expects that the operating revenue of Meerkat Health in 2022 will record a drastic growth.

(3) Entertainment and Media

In 2021, the film and entertainment industry as a whole continued its road of recovery. In regions where the pandemic had come under control, the theatres were re-opened and the previously suppressed demand for cinema-going had been unleashed, thereby resulting in the rebound of box office receipts. At the same time, the industry is facing challenges and opportunities brought forth by the integration of online and offline movie watching, a reshape of the landscape caused by the pandemic and the digitisation process.

Business Review

During the year the Group has, apart from continuing its production of top-notch media products, actively sought ways of reinvention and breakthrough in the midst of digitisation. Thanks to the successful screening of "Space Sweepers" and "Cherry", both co-financed and produced by the Group, on the streaming platforms Netflix and Apple TV+ respectively in the first half of the year, as well as the dual premier of "Extinct", an original animated comedy, in both theatres and Netflix in the second half of the year, the productions of the Group had been presented to the worldwide audience in both the physical settings and the online digitized form. Accordingly, the revenue arising from Entertainment and Media operations in 2021 amounted to approximately HK$155,340,000 (2020: HK$13,780,000), being a significant rise of more than 10 times over the same period last year.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Starring popular and professional actors like Song Jung-ki and Kim Tae-ri, "Space Sweepers", Korea's first science-fiction space feature film, had a production budget of KRW24 billion (equivalent to approximately HK$160 million). With the global (except the PRC) distribution rights sold to Netflix, it was the first film of the Group to appear on a streaming platform after making an exclusive screening in some 190 countries and regions on 5 February 2021 with subtitles of up to 31 languages. According to the statistics of Flix Patrol, "Space Sweepers" had attained satisfactory results by topping Netflix's chart of global popularity after scoring 525 marks. The Group owns the exclusive distribution rights of the film in Mainland China and will make arrangements so that the audience there can enjoy this film as early as possible.

"Cherry" had its global distribution rights acquired by Apple TV+, an original film platform under Apple Inc., and premiered 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 a semi-autobiographical novel under the same title, in which the protagonist tells his story: after joining the American army in his youth and serving as an army medic in Iraq, he suffered from post-traumatic stress disorder (PTSD) and became a drug addict along with his wife. Eventually he degenerated into a bank robber in order that he might satisfy the desire for drugs.

"Extinct", an original animated comedy aiming for family viewing, had meanwhile adopted the approach of dual release, i.e. "offline + online". It made its theatrical release gradually in the second half of 2021 in some parts of Europe and Mainland China. The film's distribution rights for the rest of the world, on the other hand, were sold to Netflix which aired it in November 2021. The story is about a species of fluffy creatures called "Flummels" living in the Galápagos Islands in the 19th Century. Op and Ed, Flummels and siblings to each other, accidentally time-travel to modern-day Shanghai and discover that Flummels will become extinct. They therefore decide to travel back in time and save their race. "Extinct" is directed by David Silverman (the highly reputed 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").

BUSINESS REVIEW AND PROSPECTS *(Continued)*

On the other hand, the production of "Moonfall", a Hollywood tentpole financed by the Group, was completed and the film was screened on 4 February 2022 in the United States and most countries or regions across the globe. It was also on theatres in the PRC since 25 March 2022. The film was directed by Roland Emmerich (the director of a number of disaster blockbusters such as "2012" and the "The Day After Tomorrow" series who is nicknamed "the Godfather of world destruction") with Halle Berry, the winner of the Academy Award for Best Actress, and Patrick Wilson taking the leading roles. It tells the story that the moon, being driven out of orbit by a mysterious force, is on course for collision with the Earth and the gravitational imbalance sends the Earth into chaos. Amidst desperation, a seemingly disorganised squad decides to fight the final battle in order to protect the Earth and humankind.

Prospects

Looking forward into 2022, the advancement of technology is expected to propel the film and entertainment industry in the direction of informatisation and digitisation. The change in viewing habit of consumers will also grant the streaming platforms an even greater room for expansion. The Group will remain responsive to the latest trend and explore new models of development. At the same time, the Group will strengthen its collaboration with different international streaming platforms and adopt the dual screening model (online and offline) flexibly. Nevertheless, the pandemic is still casting a cloud over the film industry and there remain plenty of obstacles ahead before the worldwide theatres can resume full normalcy. The Group will adopt a more conservative and prudent approach while assessing its input in the new projects, control the quality of the films stringently, divert resources to the further growth of existing projects (such as the management and authorization of derivative products) and formulate the strategic goals for the Entertainment and Media operation with flexibility.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

(4) Healthcare and Wellness Services — "Bayhood No. 9 Club"

Business Review

During the year, the revenue of the Healthcare and Wellness Services continued to improve and amounted to HK$113,729,000 (2020: HK$97,275,000), representing an increase of 17%. This roughly equals to the level of the pre-pandemic times and the main reason was that the pandemic situation in the PRC has stabilized, allowing the operations of "Bayhood No. 9 Club", a healthcare and wellness centre, to be in full swing again in the year with earnings boosted. "Bayhood No. 9 Club" 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, etc. The Group will continue to operate "Bayhood No. 9 Club" on a lease basis until 2023 and offer professional and excellent healthcare and wellness services to middle- and high-end enterprises and individual clients. The burgeoning awareness of the importance of outdoor activities and personal health in the aftermath of the pandemic helped enhance the revenues with regard to membership subscription, green fee and food and beverages, etc., meaning that the performance of the healthcare and wellness services is once again booming. Under the strict monitoring of the pandemic in the PRC, the demand for outdoor activities will continue to soar and the growth in revenue will hence continue.

Prospects

The business of "Bayhood No. 9 Club", generally speaking, is self-sustaining at the moment, and the Group does not have any immediate plan to invest additional resources into its operations for expansion. The Group will continue to strictly follow the preventive hygiene measures in place, ensuring cleanliness and safety of "Bayhood No. 9 Club". The Group will also continue its efforts in cost controls so as to maintain the profit margin and stable operations of the healthcare and wellness services.

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.

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.

ENVIRONMENTAL & 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 2021.

FINANCIAL REVIEW

As discussed in the "Business Review and Prospects" section above, the Group is organized into the following main operating segments:

1. Online prescription, circulation and marketing of pharmaceutical products ("Echartnow" platform)

2. Internet healthcare management platform ("Meerkat Health" platform)

3. Entertainment and Media

4. Healthcare and Wellness Services

FINANCIAL REVIEW *(Continued)*

The key financial figures of the Group for the year ended 31 December 2021 are summarized as follows:

	2021 HK$'000	2020 HK$'000	Change %
Total revenue:			
– Online prescription, circulation and marketing of pharmaceutical products	**36,150**	–	N/A
– Internet healthcare management platform	**22,494**	–	N/A
– Entertainment and media	**155,340**	13,780	+1,027%
– Healthcare and wellness services	**113,729**	97,275	+17%
	327,713	111,055	+195%
Gross profit/(loss):			
– Online prescription, circulation and marketing of pharmaceutical products	**14,637**	–	N/A
– Internet healthcare management platform	**(343)**	–	N/A
– Entertainment and media	**(19,725)**	12,642	N/A
– Healthcare and wellness services	**47,332**	38,224	+24%
	41,901	50,866	-18%
Segment result:			
– Online prescription, circulation and marketing of pharmaceutical products	**(57,261)**	–	N/A
– Internet healthcare management platform	**(13,881)**	–	N/A
– Entertainment and media	**(34,317)**	(13,213)	+160%
– Healthcare and wellness services	**(1,019)**	(26,242)	-96%
	(106,478)	(39,455)	+170%
Loss for the year	**(141,427)**	(56,574)	+150%
Loss for the year attributable to equity owners of the Company	**(110,402)**	(56,574)	+95%
Non-HKFRS Adjustments:			
Adjusted loss for the year	**(114,335)**	(56,892)	+101%

FINANCIAL REVIEW *(Continued)*

— Revenue

Revenue for the year ended 31 December 2021 amounted to approximately HK$327,713,000 (2020: HK$111,055,000), being a substantial 1.95 times increase comparing to the prior year. The significant boost in revenue during the year was mainly due to the following factors:

1) Revenue from newly acquired/developed internet healthcare related businesses, namely "Online Prescription, Circulation and Marketing of Pharmaceutical Products" and "Internet Healthcare Management Platform", amounted to approximately HK$58,644,000 (2020: Nil), accounted for 18% of total revenue for the year ended 31 December 2021 (2020: 0%). These businesses are under fast growth and management expects that the portion of revenue arising from these internet healthcare related businesses will further increase significantly in 2022.

2) Revenue from the "Entertainment and Media" segment surged by 10.27 times to approximately HK$155,340,000 (2020: HK$13,780,000), mainly attributed to the successful release of several movies during the year. These include "Space Sweepers" released globally through Netflix, "Cherry" released globally through Apple TV+, and "Extinct" released through a mixed model of theatrical release and Netflix during the year.

3) Revenue from the "Healthcare and Wellness Services" segment for the year ended 31 December 2021 amounted to approximately HK$113,729,000 (2020: HK$97,275,000), being an 17% increase comparing to the prior year. The membership of "Bayhood No. 9 Club" remained steady during the year and business related to golf playing and food-and-beverages have returned to normalcy following the abatement of the pandemic in the PRC and resumption of economic activities.

— Cost of Sales and Gross Profit

Cost of sales for the year ended 31 December 2021 amounted to approximately HK$285,812,000 (2020: HK$60,189,000), being a 3.75 times increase comparing to the prior year. Gross profit for the year ended 31 December 2021 amounted to approximately HK$41,901,000 (2020: HK$50,866,000), being a 18% decrease comparing to the prior year, with gross profit margin decreased to 13% (2020: 46%). The year-to-year percentage increase in cost of sales is higher than that of revenue is mainly because: 1) the internet healthcare management platform has only commenced its operation since December 2021 and it was in breakeven gross margin; and 2) the entertainment and media segment has suffered from a gross loss of approximately HK$19,725,000 due to the relatively poor box office performances of certain movie projects. This led to an overall decrease of gross profit margin during the year.

FINANCIAL REVIEW *(Continued)*

— Other Income and Other Gains, net

Other income and other gains, net, for the year ended 31 December 2021 amounted to approximately HK$15,388,000 (2020: HK$9,890,000), being a 56% increase comparing to the prior year. The increase was mainly due to the recognition of the share of subsidies for movie production of approximately HK$10,645,000 (2020: Nil) following the movie release during the year, offset by the decrease in exchange gain arising from the appreciation of RMB against HK dollars and the lack of gain on modification of lease (2020: HK$2,297,000) during year ended 31 December 2021.

— Marketing and Selling Expenses

Marketing and selling expenses for the year ended 31 December 2021 amounted to approximately HK$50,670,000 (2020: Nil), which comprised of:

(i) staff costs and marketing expenses incurred for the promotion of "Echartnow" platform for online prescription, circulation and marketing of pharmaceutical products, and the relevant expenses incurred for enhancing the registration of doctors and pharmacies in the "Echartnow" platform;

(ii) staff costs and marketing expenses for promoting the Group's internet healthcare services, mainly in relation to Meng Xiao Mei (獴小妹) platform; and

(iii) the Group's share of marketing expenses, promotion & advertising expenses, and distribution fees for the several movies released during the year.

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

— Administrative Expenses

Administrative expenses for the year ended 31 December 2021 amounted to approximately HK$139,376,000 (2020: HK$94,702,000), being a 47% increase comparing to the prior year. The increase in administrative expenses during the year was mainly attributed to newly acquired/developed internet healthcare related businesses, namely "Online Prescription, Circulation and Marketing of Pharmaceutical Products" and "Internet Healthcare Management Platform", during the year. Share-based compensation expenses for these newly acquired/developed internet healthcare related businesses of approximately HK$29,013,000 (2020: Nil) were included in administrative expenses for the year.

FINANCIAL REVIEW *(Continued)*

— Share of Results of an Associate

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 loss of approximately HK$4,933,000 (2020: a profit of approximately HK$2,504,000). While 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 2021 due to the impact of unstable COVID-19 outbreak in South Korea, leading to a decline in its financial performance during the year.

— Finance (Costs)/Income, net

Finance (costs)/income, net for the year ended 31 December 2021 amounted to a net cost of approximately HK$2,280,000 (2020: a net income of HK$1,172,000). The net finance costs during the year mainly comprised interest on lease liabilities in relation to the Group's right-of-use assets, while in the prior year the net finance costs comprised of: i) exchange gain related to other borrowings of approximately HK$6,322,000; ii) interest on lease liabilities of approximately HK$3,644,000; and iii) interests on bank borrowings (which was fully repaid in the second half of 2020) of approximately HK$1,478,000.

— Non-Hong Kong Financial Reporting Standard indicator in relation to loss for the year

The Group's loss for the year ended 31 December 2021 amounted to HK$141,427,000 compared that of HK$56,574,000 for the preceding financial year. The Group's adjusted loss for the year ended 31 December 2021 amounted to HK$114,335,000, representing an increase of HK$57,443,000 or 101% as compared with that of HK$56,892,000 for the preceding financial year. Adjusted loss is based on the loss for the corresponding period after excluding non-operating profit or loss items such as share-based compensation expenses and change in fair value of financial assets at fair value through profit or loss. The increase in adjusted loss was mainly attributable to the segment loss (excluding share-based compensation expenses) from the newly acquired/developed internet healthcare related businesses, namely "Online Prescription, Circulation and Marketing of Pharmaceutical Products" and "Internet Healthcare Management Platform", amounted to approximately HK$42,129,000 (2020: Nil).

FINANCIAL REVIEW *(Continued)*

To supplement the Group's consolidated financial statements presented in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), the Group has also reported its adjusted net loss attributable to equity holders of the Company, which is not required under, or presented in accordance with, HKFRSs, as an additional financial indicator. We are of the view that presenting the non-HKFRS indicator together with the relevant HKFRS indicator will help investors to better compare our operational performance across various periods, without the potential impact of projects which our management considers as not indicative to our operational performance. We believe that the non-HKFRS indicator provides investors and other individuals with helpful information to understand and assess our consolidated operational results in the same way that our management does. However, the adjusted net loss attributable to equity holders of the Company we presented may not be comparable with similar indicators presented by other companies. Such non-HKFRS indicator has its limitations as an analytical tool, and it should not be regarded as being independent from the operational results or financial position presented according to HKFRSs, or as an alternative to analyze the relevant operational results or financial position. In addition, the definition of such non-HKFRS indicator may vary from those applied in other companies.

The adjusted loss for the years ended 31 December 2021 and 2020 set out in the table below represents adjustments to the most direct and comparable financial indicator calculated and presented in accordance with HKFRSs (i.e. loss for the year):

	2021 **HK$'000**	2020 HK$'000
Loss for the year	**(141,427)**	(56,574)
Add:		
– Shared-based compensation expenses	**29,013**	–
– Fair value gains on financial assets at fair value through profit or loss, net of tax	**(1,921)**	(318)
Adjusted loss for the year	**(114,335)**	(56,892)

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 2021, the Group held cash and cash equivalents of approximately HK$148,552,000 (2020: HK$113,837,000), being a 30% increase comparing to the balance as at 31 December 2020.

The Group is at net current asset position of HK$185,553,000 as at 31 December 2021 (2020: HK$64,439,000). The current ratio, representing the total current assets to the total current liabilities, increased from 1.64 as at 31 December 2020 to 1.77 as at 31 December 2021, representing a healthy liquidity position.

The debt to equity ratio, representing the sum of borrowings to total equity, remained zero as at 31 December 2021 and 2020.

Foreign Currency Exchange Exposure

The Group has operations and investments in the PRC, Korea, the USA and Hong Kong, and is mainly exposed to foreign exchange risk arising from Chinese Renminbi and Korean Won currency exposures, primarily with respect to the Hong Kong dollars. During the current year, appreciation in Chinese Renminbi and Korean Won against Hong Kong dollars resulted in net exchange gain of approximately HK$2,003,000 (2020: HK$5,289,000). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure from Chinese Renminbi and Korean Won but manages through constant monitoring to limit as much as possible its net exposures.

Capital Structure

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

During the years ended 31 December 2021 and 2020, the Company has not issued new ordinary shares.

CHARGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2021 and 2020, none of the Group's assets was charged, and the Group did not have any material contingent liabilities or guarantees.

HUMAN RESOURCES

As at 31 December 2021, the Group employed a total of 260 (2020: 21) full-time employees in Hong Kong and the PRC, and continued to manage "Bayhood No. 9 Club" operations with 279 (2020: 314) full-time employees in the PRC. The significant increase in the Group's number of full-time employees was mainly attributed to the newly acquired/developed internet healthcare related businesses. 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.

HUMAN RESOURCES *(Continued)*

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, share awards and bonuses are also available at the discretion of the Group depending on the performance of the Group.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Capital Increase and Acquisition Agreement regarding Pingtan Xinban Clinic Company Limited and the Subsequent Corporate Restructuring

On 7 April 2021, the Company, Prowess Investment Limited ("PIL"), the wholly owned subsidiary of the Company, and Pingtan Xinban Clinic Company Limited* ("PTXB", the "Target Company") entered into the Capital Increase and Acquisition Agreement, pursuant to which PIL has conditionally agreed to acquire equity interest corresponding to the registered capital of RMB1,000,000 in the Target Company from an existing shareholder and subscribe for new registered capital of RMB19,863,635 in the Target Company (which will together comprise 51% of the total enlarged equity interest in the Target Company).

On 29 April 2021, the Group completed an acquisition of the 51% equity interest in PTXB and its subsidiaries (together, the "Target Group") for a total cash consideration of RMB40,000,000 (equivalent to approximately HK$47,877,000).

Upon closing of the said transaction, the Group acquired controls over the Target Group which became subsidiaries of the Group.

In accordance to the Capital Increase and Acquisition Agreement in relation to PTXB acquisition, the following contingent payments will become payable subject to the achievements of the First and Second Performance Targets.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES *(Continued)*

Performance Targets	**Contingent payments**
First Performance Target	Upon satisfaction of the First Performance Target
During the first 12 months after the completion date, the revenue of the Target Group reaches RMB150,000,000.	(a) RMB11,000,000 to be paid and settled by the allotment and issue of shares to the founding shareholders at the price of HK$0.529 per share (the "First Contingent Shares"); and (b) RMB50,000,000 to be injected into PTXB in cash by PIL.
Second Performance Target	Upon satisfaction of the Second Performance Target
At any time within 12 months from the achievement of the First Performance Target, (i) the revenue of the Target Group reaches RMB600,000,000; and (ii) the net profits after taxation of the Target Group reaches RMB40,000,000.	(a) RMB50,000,000 to be paid and settled by the allotment and issue of shares to the founding shareholders at the price per share equal to the average closing price of the shares of the Company for the last five consecutive trading days before the date of the achievement of the First Performance Target (the "Second Contingent Shares"); (b) RMB43,000,000 shall be paid and settled by the allotment and issue of shares to the founding shareholders at the price per share equal to the average closing price of the shares as quoted on the Stock Exchange for the last five consecutive trading days before the date of the achievement of the Second Performance Target (the "Third Contingent Shares"); and (c) RMB10,000,000 to be injected into PTXB in cash by PIL.

Subject to the Target Group's achievement of the First Performance Target and the Second Performance Target and there being no nominee holding arrangement in relation to equity interest in the Target Company, the Group shall be obliged to acquire the remaining 49% of the total equity interest in the Target Company from the founding shareholders at the consideration of up to RMB196,000,000 (subject to adjustments depending on the extent of fulfilment of the guaranteed profits of not less than RMB50,000,000 by the Target Group in each of the two years after the completion of the acquisition of the remaining 49% interests), to be satisfied by issuance of the Company's new shares.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES *(Continued)*

On 20 December 2021, a set of corporate restructuring agreements were entered into by the relevant parties. Accordingly, the Company no longer owned the legal direct or indirect ownership in the Target Company. Instead, under certain contractual agreements (including a power of attorney agreement, loan agreement, equity option agreement, equity interest pledge agreement and an exclusive technical consulting and service agreement) entered into with the direct or ultimate registered owners of the Target Company, the Company, through its indirectly wholly owned subsidiary, controls the Target Group by way of controlling the voting rights, governing the financial and operating policies, appointing or removing the majority of the members of its controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of the Target Group to the Company and/or its indirectly owned subsidiaries. As a result, the Target Group are still treated as subsidiaries of the Company and their financial statements have still been consolidated by the Company with no change in substance.

Investment Framework Agreement and the VIE Contractual Arrangements for Formation of Meerkat Health for the Operation of Internet Healthcare Management Platform

On 8 October 2021, the Company and Heartily Health Limited ("HHL"), a wholly-owned subsidiary of the Company, entered into an investment framework agreement ("Investment Framework Agreement") with the Top Crest Ventures Limited ("ESOP"), Mr. YANG Aiwu, Ms. DONG Yu and Ever Merit Ventures Limited ("the Individuals SPV", wholly owned by Ms. DONG Yu). Pursuant to the Investment Framework Agreement, Hangzhou Yuexiang Health Technology Co., Ltd. ("WFOE"), a company incorporated in the PRC with limited liability and a subsidiary of the Company, will enter into a set of agreements including the exclusive business cooperation agreement, the exclusive purchase right agreement, the power of attorney and undertaking letters, the equity pledge agreements and the spousal consent letters (collectively the "VIE Contractual Arrangements") with Hangzhou Mengge Health Technology Co., Ltd. ("OPCO"), a company incorporated in the PRC with limited liability, and/or Mr. YANG Aiwu and Ms. DONG Yu. These documents are for setting up a joint venture to carry out the businesses and operations of Internet Healthcare Management Platform.

Through the VIE Contractual Arrangements, the WFOE will have effective control over the finance and operation of the OPCO, and will enjoy the economic interests and benefits generated by the OPCO. Upon the entering into of the VIE Contractual Arrangements, the financial results of the OPCO will be consolidated into the consolidated financial statements of the Group and the OPCO will become an indirect non-wholly owned subsidiary of the Company.

CORPORATE GOVERNANCE REPORT

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 2021, the Company has applied the principles and met the code provisions of the Corporate Governance Code (the "CG Code") with the exception of the deviation from code provision A.2.1 as explained below and the deviation from code provision E.1.2 as mentioned in the section headed "Communication with Shareholders" of this report.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the resignation of the Chairman on 30 March 2021, no replacement for the post of the Chairman has been appointed. The functions of the Chairman has been temporarily taken up by the chief executive officer of the Company (the "CEO").

The Board considers that it is appropriate and in the interests of the Company and its shareholders as a whole for the same individual to serve as the CEO and to temporarily take up the day-to-day management responsibilities as the Chairman during the transitional period, and it has not impaired the balance of power and authority between the Board and the management of the Company.

The Company is searching for a suitably qualified candidate to fill the vacancy of the Chairman as soon as practicable.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises five directors ("Directors") whose biographical details, as well as the relationship amongst them (if any), are set out on pages 40 to 42 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 six 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 2021 are as follows:

		Meetings		Committee Meetings			
Directors	**Director Categories**	**Board**	**General**	**Audit**	**Remuneration**	**Corporate Governance**	**Nomination**
Mr. CHENG Wu	Vice Chairman and Executive Director	6/6	1/1	–	–	–	–
Mr. YUEN Hoi Po	Executive Director and Chief Executive Officer	6/6	1/1	–	member 1/1	chairman 1/1	–
Dr. WONG Yau Kar, David	Independent Non-executive Director	6/6	1/1	member 2/2	chairman 1/1	–	member 1/1
Mr. YUEN Kin	Independent Non-executive Director	6/6	1/1	chairman 2/2	member 1/1	member 1/1	–
Mr. CHU Yuguo	Independent Non-executive Director	6/6	1/1	member 2/2	–	member 1/1	chairman 1/1
Mr. WANG Zhongjun[1]	former Executive Director	1/2[2]	–	–	–	–	–
Total number of meetings held		6	1	2	1	1	1

1. Mr. WANG Zhongjun resigned and ceased to be Executive Director, the chairman and a member of each of the Nomination Committee and Corporate Governance Committee with effect from 30 March 2021.

2. These meetings were held before his resignation.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the Directors.

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 Governance Committee comprises three members, including one Executive Director, namely Mr. YUEN Hoi Po (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 two members, including two Independent Non-executive Directors, namely Mr. CHU Yuguo (chairman) and Dr. WONG Yau Kar, David.

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 2021 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)*

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. CHENG Wu	✓	✓	✓
Mr. YUEN Hoi Po	✓	✓	
Dr. WONG Yau Kar, David*	✓	✓	✓
Mr. YUEN Kin*	✓	✓	
Mr. CHU Yuguo*	✓	✓	
Mr. WANG Zhongjun#		✓	

* Independent Non-executive Director

\# Resigned on 30 March 2021.

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 2021.

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	**2021 HK'000**	2020 HK'000
Audit services	**2,100**	2,100
Non-audit services		
– Interim review services	**950**	950
– Tax advisory services	**–**	2,400
– Other non-audit services	**460**	416
	3,510	5,866

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 75 to 82 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)*

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)*

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 2021

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 2021 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 42 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.

Code provision E.1.2 of the CG Code stipulates that the Chairman should attend the annual general meeting. Mr. YUEN Hoi Po, who is temporarily taking up the day-to-day management responsibilities as the chairman of the Board, has attended the annual general meeting of the Company in year 2021 (the "AGM"), together with the chairmen of the audit, remuneration, nomination and any other committees (as appropriate). 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)*

- 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

YUEN Hoi Po
Executive Director and Chief Executive Officer

Hong Kong, 31 March 2022

BOARD OF DIRECTORS

Mr. CHENG Wu

Director since 2018
Vice Chairman and Executive Director
Mr. CHENG Wu, aged 47, 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. In additional, he has been responsible for the marketing and PR for Tencent Group.

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.

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 EMBAs from the Olin School of Business at Washington University as well as the PBC School of Finance, Tsinghua 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.

BOARD OF DIRECTORS *(Continued)*

Mr. YUEN Hoi Po

Director since 2010
Executive Director and Chief Executive Officer
Mr. YUEN Hoi Po, aged 59, currently serves as Executive Director and Chief Executive Officer of the Company. He is the Chairman of Executive Committee, Corporate Governance 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.

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

Director since 2000
Independent Non-Executive Director
Dr. WONG Yau Kar, David GBS, JP, aged 64, 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 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 CSSC (Hong Kong) Shipping Company Limited (Stock code: 3877) and Redco Properties Group Limited (Stock code: 1622), the companies listed on The Stock Exchange of Hong Kong Limited, in November 2020 and in April 2021 respectively.

BOARD OF DIRECTORS *(Continued)*

Mr. YUEN Kin

Director since 2004
Independent Non-Executive Director
Mr. YUEN Kin, aged 67, 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.

Mr. CHU Yuguo

Director since 2012
Independent Non-Executive Director
Mr. CHU Yuguo, aged 56, currently serves as Independent Non-executive Director of the Company. He is the Chairman of Nomination Committee as well as a member of Audit 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 47, 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.

SENIOR MANAGEMENT *(Continued)*

Ms. DONG Yu

Ms. DONG Yu, aged 40, is the director and chief executive officer of Hangzhou Meerkat Health Technology Co., Ltd., a subsidiary of the Group. Ms. DONG graduated from Tianjin University of Technology with a Bachelor's degree in Chemical Engineering and Technology. Prior to joining the Group in July 2021, Ms. DONG worked for Alibaba Group Holding Limited ("Alibaba", NYSE: BABA; HKEX: 9988) and Alibaba Health Information Technology Limited ("Alibaba Health", HKEX: 241) for nearly 15 years and was responsible for the establishment of their medical and healthcare services businesses. She possesses extensive experiences and networks in the realms of pharmaceutical and medical care services via the Internet in the PRC, especially focusing on the field of medical and healthcare services. Ms. DONG has held various key positions including head of medical and healthcare services business division, head of the PRC government relations department in charge of major projects and activities cooperated with governments, and sales planning manager of B2B business division, accumulating extensive experience in the fields of product research and design, e-commerce operation, marketing operation and strategic planning. Mr. DONG also serves as director of several subsidiaries of the Company.

Mr. LIU Feng

Mr. LIU Feng, aged 40, is the chief technology officer of Hangzhou Meerkat Health Technology Co., Ltd., a subsidiary of the Group. Prior to joining the Group in September 2021, Mr. LIU served as the chief technology officer of Hangzhou Weimai Technology Co., Ltd., an internet healthcare and medical company, and worked for Alibaba (NYSE: BABA; HKEX: 9988) for over 10 years, involved in new retail projects including Tmall and Hema. Mr. LIU has extensive experiences in architecture design and research and development of retail platform, middle office of business, data platform and supply chain platform, as well as the design and commercialization of commercial products.

Ms. ZHANG Lei

Ms. ZHANG Lei, aged 45, is the chief marketing officer of Hangzhou Meerkat Health Technology Co., Ltd., a subsidiary of the Group. Ms. ZHANG graduated from the School of Foreign Languages of Peking University with a Bachelor's degree and a Master's degree in Spanish Language and Literature. Prior to joining the Group in March 2022, Ms. ZHANG worked for People's Daily for over 10 years as the head of foreign correspondent station and deputy editor-in-chief, and subsequently worked for Alibaba (NYSE: BABA; HKEX: 9988) and Alibaba Health (HKEX: 241) for nearly 9 years, in charge of public relations (PR) and brand image, and building the PR team and system for Alibaba Health, the flagship healthcare platform of Alibaba. Ms. ZHANG has extensive experiences in shaping corporate image and corporate brand, as well as in building and enhancing customers' awareness of healthcare products and service mentalities.

SENIOR MANAGEMENT *(Continued)*

Ms. SHANG Jing

Ms. SHANG Jing, aged 39, is the director, general manager and was one of the founders of Shaanxi Yizhinuo Information Technology Co., Limited, a subsidiary of the Group. She joined the Group as its President, Healthcare Unit (Echartnow) upon the completion of the Company's acquisition of Shaanxi Yizhinuo Information Technology Co., Limited in April 2021. Ms. SHANG has about 10 years' experience in sales and marketing in pharmaceutical multinational corporations, including Pfizer and Novartis. Mr. SHANG also serves as director of several subsidiaries of the Company.

Mr. WANG Jian

Mr. WANG Jian, aged 47, is the director, general manager and was one of the founders of Pingtan Xinban Clinic Company Limited, a subsidiary of the Group. He joined the Group upon the completion of the Company's acquisition of Pingtan Xinban Clinic Company Limited in April 2021. Mr. WANG holds a bachelor degree in clinical medicine, and has over 25 years' experience in professional medical practice, management of medical and health technology enterprises, as well as investments and entrepreneurship in the field of medical and health technology. Mr. WANG also serves as director of several subsidiaries of the Company.

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 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in (i) online prescription, circulation and marketing of pharmaceutical products (Echartnow Platform); (ii) Internet healthcare management platform (Meerkat Health Platform); (iii) entertainment and media business; and (iv) provision of healthcare and wellness services. Details of the principal activities of the Company's principal subsidiaries as at 31 December 2021 are set out in Note 36 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 25 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 83 of this Annual Report.

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2021.

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 180 of this Annual Report.

DONATIONS

No donation was made by the Group during the year (2020: Nil).

SHARE ISSUED IN THE YEAR

Details of the shares of the Company issued in the year ended 31 December 2021 are set out in Note 28 to the consolidated financial statements.

DIRECTORS

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

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

1. Executive Director
2. Independent Non-executive Director
3. Mr. WANG Zhongjun, former Executive Director, resigned and ceased to be the Chairman and Executive Director of the Company with effect from 30 March 2021. Mr. WANG has confirmed that he did not have any disagreement with the Board and that there were no matters in relation to his resignation 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. YUEN Hoi Po and Mr. YUEN Kin shall retire from office by rotation at the forthcoming annual general meeting, and being eligible, offers themselves for re-election.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company will publish an ESG Report in accordance with Rule 13.91.

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 40 to 44 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 35(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 2021 and 31 December 2021. 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.

EQUITY-LINKED AGREEMENTS *(Continued)*

Share Award Scheme

In order to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted the share award scheme (the "Share Award Scheme") on 20 August 2021. The Share Award Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules.

Summary of principal terms of the Share Award Scheme are set out in the Company's announcement dated 20 August 2021.

During the period from the date of adoption to 31 December 2021, no award share has been granted.

The Capital Increase and Acquisition Agreement

On 7 April 2021, the Company and Prowess Investment Limited ("PIL") (a subsidiary of the Company) entered into a capital increase and acquisition agreement with 平潭心伴門診部有限公司 (Pingtan Xinban Clinic Company Limited) ("Pingtan Xinban", together with its subsidiaries, the "Pingtan Xinban Group"), 陝西醫智諾信息科技有限公司 (Shaanxi Yizhinuo Information Technology Company Limited) ("YZN"), Mr. WANG Jian, Ms. SHANG Jing, Mr. LIN Jincong and 西安醫智諾企業管理合夥企業(有限合夥) (Xi'an Yizhinuo Enterprise Management Partnership (Limited Partnership)) (collectively, the "Founding Shareholders"), which was supplemented by a supplemental agreement entered into among the Company, PIL, Pingtan Xinban, YZN and the Founding Shareholders on 17 May 2021 and a second supplemental agreement entered into among the Company, PIL, Robust Ocean Limited (a subsidiary of the Company), Beijing Tenghai Boye Health Technology Co., Ltd., Pingtan Xinban, YZN, the Founding Shareholders and Ms. HAN Lihui on 20 December 2021 (the capital increase and acquisition agreement as supplemented from time to time hereinafter referred to as the "Capital Increase and Acquisition Agreement"), with the aim of, among other things, developing its strategic layout in the realms of pharmaceutical and medical care services in the PRC by acquiring equity interest in the Pingtan Xinban Group.

Pursuant to the said agreement dated 7 April 2021, the Group acquired 51% equity interest in Pingtan Xinban at the consideration of up to RMB204,000,000 (the full payment of which is subject to certain conditions). Due to certain restrictions of foreign investment in the PRC, pursuant to the said supplemental agreement dated 20 December 2021, the Group transferred its 51% equity interest in Pingtan Xinban to Ms. HAN Lihui and retained 51% equity interest in Maximum Gains Ventures Limited ("MGVL") which through its subsidiary is contractually entitled to economic interest in Pingtan Xinban Group. Pursuant to the Capital Increase and Acquisition Agreement, the Group further conditionally agreed to acquire the remaining 49% equity interest in MGVL at the consideration of up to RMB196,000,000 (subject to adjustments) (the "Further Acquisition").

The Company will allot and issue the following tranches of new Shares as part of the consideration of and in accordance with the terms and conditions of the Capital Increase and Acquisition Agreement (the "Consideration Shares") to the Founding Shareholders.

EQUITY-LINKED AGREEMENTS *(Continued)*

The number of the Second Consideration Shares to be issued will be determined with reference to the average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive trading days before the date of the satisfaction of the First Performance Target (i.e. at any time within one year from 29 April 2021, (i) the aggregate amount of the revenue of the Pingtan Xinban Group reaches RMB150,000,000 as shown in the Pingtan Xinban Group's consolidated management accounts reported in accordance with Hong Kong Financial Reporting Standards, (ii) there exists no circumstances which would render any members of the Pingtan Xinban Group unable to continue its operation, and (iii) the aforesaid (i) and (ii) being confirmed by the Group in writing);

The number of the Third to the Sixth Consideration Shares to be issued will be determined with reference to the average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive trading days before the date of the satisfaction of the Second Performance Target (i.e. at any time within one year from the satisfaction of the First Performance Target, (i) the aggregate amount of the revenue of the Pingtan Xinban Group calculated from the day after the satisfaction of the First Performance Target reaches RMB600,000,000 as shown in the Pingtan Xinban Group's consolidated management accounts reported in accordance with Hong Kong Financial Reporting Standards, (ii) the net profits after taxation of the Pingtan Xinban Group calculated from the day after the satisfaction of the First Performance Target reaches RMB40,000,000 as shown in the Pingtan Xinban Group's consolidated management accounts reported in accordance with Hong Kong Financial Reporting Standards, (iii) there exists no circumstances which would render any members of the Pingtan Xinban Group unable to continue its operation, and (iv) the aforesaid (i), (ii) and (iii) being confirmed by the Group in writing).

Save for the issue price for the First Consideration Share has been confirmed, the issue prices per Share for the other tranches of the Consideration Shares are to be subsequently determined, and the number of Shares in these respective tranches of Consideration Shares cannot be ascertained yet.

1. ***The First Consideration Shares***

   After the satisfaction of the First Performance Target, RMB11,000,000 shall be paid and settled by the allotment and issue of Shares to the Founding Shareholders at the price of HKD0.529 per Share.

2. ***The Second Consideration Shares***

   After the satisfaction of the Second Performance Target, RMB50,000,000 shall be paid and settled by the allotment and issue of Shares to the Founding Shareholders.

3. ***The Third Consideration Shares***

   RMB43,000,000 shall be paid and settled by the allotment and issue of Shares to the Founding Shareholders.

EQUITY-LINKED AGREEMENTS *(Continued)*

4. ***The Fourth Consideration Shares***

After the completion of the Further Acquisition, RMB19,600,000 shall be settled by the allotment and issue of Shares to the Founding Shareholders.

5. ***The Fifth Consideration Shares***

After the satisfaction of the Guaranteed Profits (i.e. the consolidated net profits after taxation of the Pingtan Xinban Group for the relevant period as reported in accordance with the Hong Kong Financial Reporting Standards being not less than RMB50,000,000) in the first 12 months following the completion of the Further Acquisition and within 60 days after the expiry of the 12-month period following the completion of the Further Acquisition, RMB88,200,000 shall be settled by the allotment and issue of Shares to the Founding Shareholders; and

6. ***The Sixth Consideration Shares***

After the satisfaction of the Guaranteed Profits during the 13th to the 24th month following the completion of the Further Acquisition and within 60 days after the expiry of the 24-month period following the completion of the Further Acquisition, RMB88,200,000 shall be settled by the allotment and issue of Shares to the Founding Shareholders.

As at 31 December 2021, (i) the First Performance Target, the Second Performance Target and the Guaranteed Profits had not yet been satisfied, and (ii) no Shares had been issued under the Capital Increase and Acquisition Agreement.

For further details of the Capital Increase and Acquisition Agreement, please refer to the announcements of the Company dated 7 April 2021, 21 April 2021, 17 May 2021 and 20 December 2021.

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 2021, calculated under the Companies Law of the Cayman Islands and the Company's Articles of Association, amounted in total to HK$438,809,000 (2020: HK$511,709,000), representing the share premium of HK$1,213,484,000 (2020: HK$1,213,484,000) less the accumulated losses of HK$774,675,000 (2020: HK$701,775,000). 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 2021, the percentage of purchases for the year attributable to the Group's five largest suppliers combined was less than 30%. The percentage of revenue from sales of goods or rendering of services attributable to the Group's major customers are as follows:

Turnover or sales:

– The largest customers	26%
– Five largest customers combined	53%

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, as appropriate.

RETIREMENT BENEFIT SCHEME

Details of retirement benefit scheme of the Group are set out in Note 2(x) 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 2021, 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 Listing Rules were as follows:

Long positions in ordinary shares of the Company:

Name of Directors	Capacity	Number of shares held			% of total issued share capital of the Company (Note 1)
		Personal interest	Corporate interest	Total	
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 2021.

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 2021, 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 2021, 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)
YUEN Hoi Po	Beneficial owner and interest of a controlled corporation (Note 2)	Beneficial and corporation interest	2,397,340,107	17.76
Tencent Holdings Limited	Interest of a controlled corporation (Note 3)	Corporation interest	2,116,251,467	15.68
KO Chun Shun, Johnson	Interest of a controlled corporation (Note 4)	Corporation interest	1,262,000,000	9.35
Huayi Brothers Media Corporation	Interest of a controlled corporation (Note 5)	Corporation interest	674,905,329	5.00

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 the 31 December 2021.

2. Smart Concept Enterprise Limited is wholly-owned by Mr. YUEN Hoi Po and was beneficially interested in 1,938,030,107 shares which representing approximately 14.36% of the total number of issued shares of the Company. Pursuant to the SFO, Mr. YUEN was deemed to be interested in these Shares.

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. Pursuant to the SFO, Tencent Holdings Limited was deemed to be interested in these Shares.

4. Greater Harmony Limited is wholly-owned by Mr. KO Chun Shun, Johnson and was beneficially interested in 1,262,000,000 shares of the Company. Pursuant to the SFO, Mr. KO was deemed to be interested in these Shares.

5. Huayi Brothers International Limited is wholly-owned by Huayi Brothers Media Corporation and was beneficially interested in 674,905,329 shares of the Company. Pursuant to the SFO, Huayi Brothers Media Corporation was deemed to be interested in these Shares.

Save as disclosed above, as at 31 December 2021, 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.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS

The Group has been operating certain businesses which adopted contract-based arrangements or structures for the purpose of enabling the Group, as a foreign investor, to control and benefit from the PRC operating companies in the foreign restricted businesses in the PRC.

Set out below are the details of the relevant contractual arrangements which are material to the Group.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS *(Continued)*

1. Contractual Arrangements ("HZ VIE Contractual Arrangements") in respect of Hangzhou Meerkat Health Technology Co., Ltd. (杭州獴哥健康科技有限公司) ("Hangzhou Meerkat") and its subsidiaries (together with Hangzhou Meerkat, the "Hangzhou Meerkat Group")

1.1 *Particulars of Hangzhou Meerkat and its registered owners*

Hangzhou Meerkat is a company established under the laws of the PRC with limited liability in July 2021. Hangzhou Meerkat is held as to 60% and 40% by Mr. YANG Aiwu and Ms. DONG Yu (the "HZ PRC Equity Owners") respectively. Pursuant to an investment framework agreement dated 8 October 2021 (the "HZ Investment Framework Agreement") entered into among the Company, Heartily Health Limited (a wholly-owned subsidiary of the Company), Top Crest Ventures Limited (the "ESOP"), Ever Merit Ventures Limited (the "Individual SPV") and the HZ PRC Equity Owners as detailed in the announcement of the Company dated 8 October 2021, control documents were entered into on 26 October 2021 between Hangzhou Yuexiang Health Technology Co., Ltd. (杭州悦響健康科技有限公司) (the "HZ WFOE") (a company incorporated in the PRC with limited liability which is indirectly owned as to 60%, 20% and 20% by the Company, the ESOP and the Individual SPV respectively) and Hangzhou Meerkat and/or the HZ PRC Equity Owners to allow the HZ WFOE to contractually control 100% equity interests and the management of Hangzhou Meerkat.

Ms. DONG Yu is the director and the chief executive officer of Hangzhou Meerkat and is responsible for overseeing the strategy, management and operation of Hangzhou Meerkat Principal Businesses. Please refer to the section "Biographical Details of Directors and Senior Management" for biography about Ms. DONG Yu. Mr. YANG Aiwu is an employee of the Group in the PRC since year 2011. Mr. YANG Aiwu is not a director of or involved in the management of Hangzhou Meerkat or the HZ WFOE.

1.2 *Description of Hangzhou Meerkat's principal businesses and their significance to the Group*

Hangzhou Meerkat is principally engaged in the business of Internet Healthcare Management Platform, which currently include the operation of nationwide platforms for supply chain of pharmaceutical and healthcare products, the operation of "Meng Xiao Mei" platform for internet healthcare services, and development of system for digitised medical products ("Hangzhou Meerkat Principal Businesses"). Please refer to the section "Management Discussion and Analysis" for details.

Key financial indicators of Hangzhou Meerkat are set out in paragraph 1.4 below.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS *(Continued)*

1.3 *Summary of the major terms of the underlying contracts of the HZ VIE Contractual Arrangements*

1.3.1 *Exclusive Business Cooperation Agreement*

The HZ WFOE and Hangzhou Meerkat entered into the exclusive business cooperation agreement on 26 October 2021, pursuant to which Hangzhou Meerkat agreed to appoint the HZ WFOE as its exclusive service provider to provide Hangzhou Meerkat with comprehensive technical and business support and related consultancy services in relation to Hangzhou Meerkat Principal Businesses, and Hangzhou Meerkat agreed to pay service fees which shall be equal to the annual audited consolidated net profits after taxation of Hangzhou Meerkat to the HZ WFOE.

1.3.2 *Exclusive Purchase Right Agreement*

The HZ WFOE, the HZ PRC Equity Owners and Hangzhou Meerkat entered into the exclusive purchase right agreement on 26 October 2021, pursuant to which the HZ PRC Equity Owners and Hangzhou Meerkat shall irrevocably grant the HZ WFOE an exclusive right to purchase or nominate any entity(ies) to purchase at any time all or part of their existing and future equity interest in Hangzhou Meerkat and all or part of the existing and future assets of Hangzhou Meerkat respectively at the lowest price permissible under the PRC laws and regulations when permitted by the then applicable PRC laws in its sole discretion when exercising its right. The consideration to be received by the HZ PRC Equity Owners and/or Hangzhou Meerkat thereunder shall be unconditionally gifted to the HZ WFOE or its designated entity to the extent permitted under applicable PRC laws.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS *(Continued)*

1.3 ***Summary of the major terms of the underlying contracts of the HZ VIE Contractual Arrangements*** *(Continued)*

1.3.3 *Power of Attorney and Undertaking Letters*

Each of the HZ PRC Equity Owners and the HZ WFOE entered into the power of attorney and undertaking letter on 26 October 2021, pursuant to which each of the HZ PRC Equity Owners agreed to (i) entrust the HZ WFOE (or its nominees, including the directors of its shareholders and their successors, including a liquidator replacing such directors) as the exclusive agent to exercise all of his/her rights in relation to his/her equity interest in Hangzhou Meerkat on his/her behalf, (ii) undertake, among other things, that he or she will neither, directly or indirectly (either on its own or through any other individual or legal entity), participate or engage in any business which is or may be in competition with the business of Hangzhou Meerkat or its associated company, or acquire or hold any such business, nor carry on any activities which may lead to any material conflict of interest between himself or herself and the HZ WFOE, (iii) undertake that if he/she receives any dividends, interest, any other forms of capital distributions, residual assets upon liquidation, or proceeds or consideration from the transfer of equity interest as a result of, or in connection with, his/her equity interest in Hangzhou Meerkat, he/she shall, to the extent permitted by applicable laws, remit all such monies or assets (after deducting all taxes and expenses required by the law) to the HZ WFOE or the entity designated by the HZ WFOE without any compensation; and (iv) undertake and warrant that the validity of the power of attorney and undertaking letter shall not be affected by the death, bankruptcy or divorce of any of the HZ PRC Equity Owners and shall remain valid against any assignees or successors of him/her; and that the successor, guardian, creditor, or spouse of any of the HZ PRC Equity Owners who may be entitled to his/her interests and rights in Hangzhou Meerkat in the event of his/her death, incapacity, bankruptcy, divorce or in the event that the exercise of his/her shareholder rights in Hangzhou Meerkat may be affected, will not perform any actions that may affect or hinder the performance of obligations on the part of such HZ PRC Equity Owner under the HZ VIE Contractual Arrangements.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS *(Continued)*

1.3 *Summary of the major terms of the underlying contracts of the HZ VIE Contractual Arrangements* (Continued)

1.3.4 *Equity Pledge Agreements*

The HZ WFOE, each of the HZ PRC Equity Owners and Hangzhou Meerkat entered into the equity pledge agreement on 26 October 2021, pursuant to which each of the HZ PRC Equity Owners agreed to pledge all of his/her equity interest in Hangzhou Meerkat to the HZ WFOE as security for the performance of the HZ VIE Contractual Arrangements.

1.3.5 *Spousal Consent Letters*

The spouse of each HZ PRC Equity Owners agreed that all the equity interest held by the relevant HZ PRC Equity Owner in Hangzhou Meerkat and all the benefits generated from these equity interest do not form part of his or her matrimonial property and he/she as the spouse has no rights thereto.

1.4 *Revenue and assets subject to the HZ VIE Contractual Arrangements*

The consolidated revenue of Hangzhou Meerkat and its subsidiaries subject to the HZ VIE Contractual Arrangements for the year ended 31 December 2021 amounted to nil, being 0% of the Group's total revenue. The consolidated total assets of Hangzhou Meerkat and its subsidiaries subject to the HZ VIE Contractual Arrangements as at 31 December 2021 amounted to approximately HK$754,000, being 0.1% of the Group's total assets.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS *(Continued)*

2. Contractual Arrangements ("PT VIE Contractual Arrangements", together with the "HZ VIE Contractual Arrangements", the "VIE Contractual Arrangements") in respect of Pingtan Xinban Clinic Co., Ltd. (平潭心伴門診部有限公司) ("Pingtan Xinban") and its subsidiaries (together with Pingtan Xinban, the "Pingtan Xinban Group")

2.1 *Particulars of Pingtan Xinban and its registered owners*

Pingtan Xinban is a company established under the laws of the PRC with limited liability. Prior to 20 December 2021, Pingtan Xinban was owned as to 51%, 21.9%, 21%, 0.1% and 6% by Prowess Investment Limited ("PIL") (a wholly-owned subsidiary of the Company), Mr. WANG Jian, Ms. SHANG Jing, Mr. LIN Jincong and Xi'an Yizhinuo Enterprise Management Partnership (Limited Partnership) (西安醫智諾企業管理合夥企業(有限合夥)) ("Employees Shareholding Platform") respectively. On 20 December 2021, the Group implemented a restructuring involving the Pingtan Xinban Group as detailed in the announcement of the Company dated 20 December 2021. Upon completion of the restructuring, Ms. HAN Lihui (together with Mr. WANG Jian, Ms. SHANG Jing, Mr. LIN Jincong and the Employees Shareholding Platform, the "PT PRC Equity Owners") became the registered shareholder of 51% equity interests of Pingtan Xinban, with the shareholding of other shareholders remaining unchanged. On 20 December 2021, control documents were entered into between Beijing Tenghai Boye Health Technology Co., Ltd. (北京騰海博業健康科技有限公司) (the "PT WFOE") (a company incorporated in the PRC with limited liability which is indirectly owned as to 51%, 21.9%, 21%, 0.1% and 6% by the Company, Mr. WANG Jian, Ms. SHANG Jing, Mr. LIN Jincong (through Mr. WANG Jian) and the Employees Shareholding Platform (through Ms. SHANG Jing) respectively) and Pingtan Xinban, Shaanxi Yizhinuo Information Technology Company Limited (陝西醫智諾信息科技有限公司) ("YZN") (a wholly-owned subsidiary of Pingtan Xinban) and/or the PT PRC Equity Owners to allow the PT WFOE to contractually control 100% equity interests and the management of Pingtan Xinban.

Mr. WANG Jian is a shareholder and a director of Pingtan Xinban, and was also one of the founders of Pingtan Xinban. Ms. SHANG Jing is a shareholder and a director of Pingtan Xinban, and was also one of the founders of YZN. Please refer to the section "Biographical Details of Directors and Senior Management" for biographies about Mr. WANG Jian and Ms. SHANG Jing. Mr. LIN Jincong was one of the founders of Pingtan Xinban. Mr. LIN Jincong is not and will not be a director of or involved in the management of the Pingtan Xinban Group or the PT WFOE. The Employees Shareholding Platform is principally engaged in holding of the shares of YZN on behalf of the key management of YZN. Ms. HAN Lihui is a former employee of the Group in the PRC during 2011 to 2020. Ms. HAN Lihui is not a director of or involved in the management of the Pingtan Xinban Group or the PT WFOE.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS *(Continued)*

2.2 *Description of the principal businesses of the Pingtan Xinban Group and their significance to the Group*

Pingtan Xinban is operating a clinic at Fujian province in the PRC. YZN together with other members of the Pingtan Xinban Group are principally engaged in the operation of "Echartnow", a platform for online prescription, circulation and marketing of pharmaceutical products, for provision of services such as online drug prescription and circulation service and digitised marketing service (the "Pingtan Xinban Principal Businesses"). Please refer to the section "Management Discussion and Analysis" for details.

Key financial indicators of the Pingtan Xinban Group are set out in paragraph 2.4 below.

2.3 *Summary of the major terms of the underlying contracts of the PT VIE Contractual Arrangements*

2.3.1 *Exclusive Business Cooperation Agreements*

The PT WFOE and each of Pingtan Xinban and YZN entered into the exclusive business cooperation agreement on 20 December 2021, pursuant to which each of Pingtan Xinban and YZN agreed to appoint the PT WFOE as its exclusive service provider to provide Pingtan Xinban or YZN (as the case may be) with comprehensive technical and business support and related consultancy services in relation to Pingtan Xinban Principal Businesses, and Pingtan Xinban and YZN agreed to pay service fees which shall be equal to the annual audited consolidated net profits after taxation of Pingtan Xinban to the PT WFOE.

2.3.2 *Exclusive Purchase Right Agreement*

The PT WFOE, the PT PRC Equity Owners and Pingtan Xinban, and the PT WFOE, Pingtan Xinban and YZN, respectively entered into the exclusive purchase right agreement on 20 December 2021, pursuant to which the PT PRC Equity Owners and Pingtan Xinban and YZN shall irrevocably grant the PT WFOE an exclusive right to purchase or nominate any entity(ies) to purchase at any time all or part of their existing and future equity interest in Pingtan Xinban or YZN (as the case may be) and all or part of the existing and future assets of Pingtan Xinban and YZN (as the case may be) respectively at the lowest price permissible under the PRC laws and regulations when permitted by the then applicable PRC laws in its sole discretion when exercising its right. The consideration to be received by the PT PRC Equity Owners and/or Pingtan Xinban and/or YZN thereunder shall be unconditionally gifted to the PT WFOE or its designated entity to the extent permitted under applicable PRC laws.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS *(Continued)*

2.3.3 *Power of Attorney and Undertaking Letters*

Each of the PT PRC Equity Owners and Pingtan Xinban and the PT WFOE entered into the power of attorney and undertaking letter on 20 December 2021, pursuant to which each of the PT PRC Equity Owners and Pingtan Xinban agreed to (i) entrust the PT WFOE (or its nominees, including the directors of its shareholders and their successors, including a liquidator replacing such directors) as the exclusive agent to exercise all of his/her/its rights in relation to his/her/its equity interest in Pingtan Xinban or YZN (as the case may be) on his/her/its behalf, (ii) undertake, among other things, that he or she or it will neither, directly or indirectly (either on its own or through any other individual or legal entity), participate or engage in any business which is or may be in competition with the business of Pingtan Xinban or YZN (as the case may be) or their respective associated company, or acquire or hold any such business, nor carry on any activities which may lead to any material conflict of interest between himself or herself or itself and the PT WFOE, (iii) undertake that if he/she/it receives any dividends, interest, any other forms of capital distributions, residual assets upon liquidation, or proceeds or consideration from the transfer of equity interest as a result of, or in connection with, his/her/its equity interest in Pingtan Xinban or YZN (as the case may be), he/she/it shall, to the extent permitted by applicable laws, remit all such monies or assets (after deducting all taxes and expenses required by the law) to the PT WFOE or the entity designated by the PT WFOE without any compensation; and (iv) undertake and warrant that the validity of the power of attorney and undertaking letter shall not be affected by the death, bankruptcy or divorce of any of the PT PRC Equity Owners or Pingtan Xinban (as the case may be) and shall remain valid against any assignees or successors of him/her/it; and that the successor, guardian, creditor, or spouse of any of the PT PRC Equity Owners or Pingtan Xinban (as the case may be) who may be entitled to his/her/its interests and rights in Pingtan Xinban or YZN (as the case may be) in the event of his/her/its death, incapacity, bankruptcy, divorce or in the event that the exercise of his/her/its shareholder rights in Pingtan Xinban or YZN (as the case may be) may be affected, will not perform any actions that may affect or hinder the performance of obligations on the part of such PT PRC Equity Owner or Pingtan Xinban (as the case may be) under the PT VIE Contractual Arrangements.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS *(Continued)*

2.3.4 *Equity Pledge Agreements*

The PT WFOE, each of the PT PRC Equity Owners and Pingtan Xinban, and the PT WFOE, Pingtan Xinban and YZN, respectively entered into the equity pledge agreement on 20 December 2021, pursuant to which each of the PT PRC Equity Owners and Pingtan Xinban agreed to pledge all of his/her/its equity interest in Pingtan Xinban or YZN (as the case may be) to the PT WFOE as security for the performance of the PT VIE Contractual Arrangements.

2.3.5 *Spousal Consent Letters*

The spouse of each PT PRC Equity Owners being an individual who had a spouse as at the date of the letter agreed that all the equity interest held by the relevant PT PRC Equity Owner in Pingtan Xinban and all the benefits generated from these equity interest do not form part of his or her matrimonial property and he/she as the spouse has no rights thereto.

2.3.6 *Undertaking Letters*

Each PT PRC Equity Owners being an individual who did not have a spouse as at the date of the letter undertook that if he/she should enter into marriage during the term of the PT VIE Contractual Arrangements, he/she shall procure his/her then spouse to sign a letter in the form of the spousal consent letters as described in paragraph 2.3.5 above.

2.4 *Revenue and assets subject to the PT VIE Contractual Arrangements*

The consolidated revenue of the Pingtan Xinban Group subject to the PT VIE Contractual Arrangements for the year ended 31 December 2021 amounted to approximately HK$36,150,000, being 11% of the Group's total revenue. The consolidated total assets of the Pingtan Xinban Group subject to the PT VIE Contractual Arrangements as at 31 December 2021 amounted to approximately HK$158,783,000, being 17% of the Group's total assets.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS *(Continued)*

3. Laws and regulations relating to the Hangzhou Meerkat Principal Businesses and the Pingtan Xinban Principal Businesses (collectively, the "Principal Businesses") in the PRC and reasons for adopting the VIE Contractual Arrangements

According to the relevant regulations including the Telecommunication Regulations of the PRC (《中華人民共和國電信條例》), the Classification Catalogue of Telecommunications Services (《電信業務分類目錄》) and the E-commerce Law (《電子商務法》) of the PRC, the business activities of selling goods or providing services to users through the Internet are regarded as e-commerce, the business of using data and transaction processing application platform connecting to the Internet and providing users with online data processing and transaction processing via the Internet constitutes business of "online data processing and transaction processing (operational e-commerce)"; and the charging of fees through the collection, development and processing of information and development of information platform and provision of information via the Internet constitute "Internet information service business operating for profit (other than App store)". Accordingly, the Principal Businesses involve (1) online data processing and transaction processing (operational e-commerce) businesses and (2) Internet information service businesses operating for profit (other than App store). These businesses are carried out concurrently and are inalienable.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS *(Continued)*

In respect of the Internet information service business operating for profit (other than App store), according to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020) (Order No. 32 of the National Development and Reform Commission and the Ministry of Commerce) (《外商投資准入特別管理措施(負面清單) (2020年版)》(國家發展和改革委員會、商務部令第32號)), Notice of the Ministry of Industry and Information Technology on Removing the Restrictions on Foreign Equity Ratios in Online Data Processing and Transaction Processing (Operating E-commerce) Business (No. 196 [2015] of the Ministry of Industry and Information Technology) (《工業和信息化部關於放開在線數據處理與交易處理業務(經營類電子商務)外資股比限制的通告》(工信部通信[2015]196號)) and the Notice of the Ministry of Industry and Information Technology on Issues Concerning Hong Kong and Macao Service Providers Carrying out Telecommunications Services in the Mainland" (No. 222 [2016] of the Ministry of Industry and Information Technology) (《工業和信息化部關於港澳服務提供者在內地開展電信業務有關問題的通告》(工信部通信[2016]222號)), foreign investors (including Hong Kong and Macau service providers) may set up joint ventures in the PRC to provide value-added telecommunication business of information service businesses (other than App store) but are restricted to hold no more than 50% equity interest. In addition, according to the Regulations on the Administration of Foreign-invested Telecommunications Enterprises (Revised in 2016) (Order No. 666 of the State Council of the PRC) (《外商投資電信企業管理規定(2016年修訂)》(中華人民共和國國務院令第666號)), a foreign investor who invests in a value-added telecommunications services company shall have a good track record and operational experience in providing value-added telecommunications business (the "Qualification Requirement") in the PRC. There are no clear rules, measures, procedures, guidance or reference standard issued by PRC regulatory authority on the Qualification Requirement. In practice, the relevant authority would verify whether such foreign investor has previously been engaged in telecommunications business outside the PRC, or whether such foreign investor has previously held any equity interest in the PRC enterprises engaged in the telecommunications business. The Group has not had any actual engagement in telecommunications business outside the PRC, and also has not held any equity interest in the PRC enterprises engaged in the telecommunications business other than Hangzhou Meerkat and Pingtan Xinban/YZN. Therefore, the Company directly or indirectly holding equity interest in Hangzhou Meerkat, Pingtan Xinban/YZN would make it very difficult and uncertain for Hangzhou Meerkat or Pingtan Xinban/YZN to continue to hold or renew the relevant licence to carry on the value-added telecommunications business, and the time and the prolonged process of application with unknown results would incur extra costs for the Company.

In view of the above, in the absence of clear guidance to determine whether the Company meets the Qualification Requirement and in view of the Group's lack of the relevant qualification, the Company cannot directly or indirectly hold any equity interest in Hangzhou Meerkat Group or the Pingtan Xinban Group despite its intention to own more than 50% equity interest in such entities.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS *(Continued)*

In order to comply with the relevant PRC laws and regulations while achieving the commercial intention of the parties, the VIE Contractual Arrangements were entered into, through which the HZ WFOE and the PT WFOE will have effective control over the finance and operations of Hangzhou Meerkat Group and the Pingtan Xinban Group respectively and will enjoy the entire economic interests and benefits generated by such entities despite the lack of registered equity ownership.

4. Risks associated with the VIE Contractual Arrangements

The Group is exposed to certain risks under the VIE Contractual Arrangements, which are summarized below.

(a) There is no assurance that the VIE Contractual Arrangements could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the VIE Contractual Arrangements do not comply with applicable regulations.

(b) The VIE Contractual Arrangements may not be as effective as direct ownership in providing control over Hangzhou Meerkat Group or the Pingtan Xinban Group.

(c) The HZ PRC Equity Owners or the PT PRC Equity Owners may potentially have a conflict of interests with the Group.

(d) The VIE Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed.

(e) The Group may bear economic risks as the primary beneficiary of Hangzhou Meerkat Group and the Pingtan Xinban Group which may arise from difficulties in their operation.

(f) There may be limitations in acquiring ownership in the equity interest of Hangzhou Meerkat or Pingtan Xinban/YZN.

(g) Certain terms of the VIE Contractual Arrangements may not be enforceable under the PRC laws, such as the dispute resolution mechanism.

(h) The Company does not have any insurance which covers the risks relating to the VIE Contractual Arrangements and the transactions contemplated thereunder.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS *(Continued)*

5. Internal control measures implemented by the Group to mitigate the risks

The VIE Contractual Arrangements contain certain provisions in order to exercise effective control over and to safeguard the assets of Hangzhou Meerkat and Pingtan Xinban. In addition to the internal control measures as provided in the VIE Contractual Arrangements, the Company has implemented, through the HZ WFOE and the PT WFOE, the following internal control measures against Hangzhou Meerkat and Pingtan Xinban (as the case may be) as appropriate:

Management controls

(a) the Group is entitled to appoint 2 and 3 board representatives (the "Representatives") to act as directors of Hangzhou Meerkat and Pingtan Xinban (each the "OPCO") respectively. The Representatives are required to conduct regular reviews on the operations of the OPCO and shall submit the semi-annual reviews to the Board. The Representatives are also required to check the authenticity of the monthly management accounts of the OPCO;

(b) the Representatives shall be actively involved in various aspects of the daily managerial and operational activities of the OPCO;

(c) the Representatives shall report any major events of the OPCO to the senior management of the Company, who must in turn report to the Board;

(d) the senior management of the Company shall conduct regular site visits and personnel interviews regarding the OPCO, and shall report to the Board on a regular basis; and

(e) all incorporation documents, all other legal documents and all seals and chops of the OPCO shall be delivered to the HZ WFOE or the PT WFOE (as the case may be) upon request.

Financial controls

(a) the finance department of the Company, led by the Chief Financial Officer (the "CFO"), shall collect monthly management accounts, bank statements and cash balances and major operational data of the OPCO for review. Upon discovery of any suspicious matters, the CFO shall report to the Board;

(b) if the OPCO has delayed in the payment of the services fees requested by the WFOE, the CFO must meet with the shareholder(s) of the OPCO to investigate, and should report any suspicious matters to the Board. In extreme cases, the registered shareholder(s) of the OPCO will be removed and replaced;

(c) the OPCO must submit copies of latest bank statements for every bank accounts of the OPCO within 15 days after the end of each month; and

(d) the OPCO must assist and facilitate the Company to conduct on-site internal audit.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS *(Continued)*

Legal review

(a) the senior management of the Company shall consult the Company's PRC legal adviser from time to time to check if there are any legal developments in the PRC affecting the arrangement contemplated under the VIE Contractual Arrangements, and determine if any modification or amendment are required to be made;

(b) as part of the internal control measures, major issues arising from implementation and performance of the VIE Contractual Arrangements shall be reviewed by the Board on a regular basis which will be no less frequent than twice a year. The Board shall determine, as part of its periodic review process, whether legal advisors and/or other professionals would need to be retained to assist the Group to deal with specific issues arising from the VIE Contractual Arrangements;

(c) matters relating to compliance and regulatory enquiries from governmental authorities, if any, shall be discussed by the Board on a regular basis which shall be no less frequent than twice a year; and

(d) the relevant business units and operation divisions of the Group shall report regularly, which shall be no less frequent than on a monthly basis, to the senior management of the Company on the compliance and performance conditions under the VIE Contractual Arrangements and other related matters.

6. Material change

There was no material change of the VIE Contractual Arrangements during the year ended 31 December 2021.

7. Unwinding of the VIE Contractual Arrangements

For the year ended 31 December 2021 and as at the date of this Annual Report, there is no unwinding of any of the VIE Contractual Arrangements or failure to unwind when the restrictions that led to the adoption of the VIE Contractual Arrangements are removed, as none of the restrictions that led to the adoption of the VIE Contractual Arrangements had been removed.

CONNECTED TRANSACTIONS

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

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.

On 26 January 2021, HBI ceased to be a substantial shareholder of the Company and no longer be a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Cooperation Framework Agreement no longer 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 2021 was HK$279,000,000. The annual cap on consideration amount for the agreements in respect of the Distribution Projects was RMB206,000,000 for the year ended 31 December 2021.

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

CONNECTED TRANSACTIONS *(Continued)*

HZ VIE Contractual Arrangements

On 26 October 2021, a set of control documents were entered into between the HZ WFOE and Hangzhou Meerkat and/or the HZ PRC Equity Owners to allow the HZ WFOE to contractually control 100% equity interests and the management of Hangzhou Meerkat.

As a result of the HZ Investment Framework Agreement and the HZ VIE Contractual Arrangements, Ms. DONG Yu has become a substantial shareholder and a director of two subsidiaries of the Company, and Mr. YANG Aiwu has become a substantial shareholder of a subsidiary of the Company. Therefore, each of Ms. DONG Yu and Mr. YANG Aiwu is a connected person of the Company at subsidiary level, and the transactions contemplated under the HZ VIE Contractual Arrangements constitute continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements but are exempt from the circular, independent financial adviser and shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

Please refer to details set out in the sub-section above titled "Contractual Arrangements in respect of Hangzhou Meerkat Health Technology Co., Ltd. (杭州獴哥健康科技有限公司)" under the section above titled "INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS" and the announcement of the Company dated 8 October 2021.

During the year ended 31 December 2021, no service fee has been paid by Hangzhou Meerkat to the HZ WFOE under the exclusive business cooperation agreement entered into between Hangzhou Meerkat and the HZ WFOE.

CONNECTED TRANSACTIONS *(Continued)*

PT VIE Contractual Arrangements

On 20 December 2021, the Group implemented the restructuring concerning Pingtan Xinban, where:

(a) the Company, PIL, Robust Ocean Limited ("ROL") (a wholly-owned subsidiary of the Company), the PT WFOE, Pingtan Xinban, YZN and the PT PRC Equity Owners entered into the second supplemental agreement (the "PT Second Supplemental Agreement") to the capital increase and acquisition agreement dated 7 April 2021 entered into among the Company, PIL, Pingtan Xinban, YZN and Mr. WANG Jian, Ms. SHANG Jing, Mr. LIN Jincong and Employees Shareholding Platform as supplemented by the supplemental agreement dated 17 May 2021 entered into among the same parties, pursuant to, which among other things, (i) the Company shall procure PIL to transfer 51% equity interest in the OPCO to Ms. HAN Lihui, (ii) a joint venture company to be incorporated in the Cayman Islands (the "Platform Co") shall be set up with shareholding proportions as to 51%, 21.9%, 21%, 0.1% and 6% to be held by the Company, Mr. WANG Jian, Ms. SHANG Jing, Mr. LIN Jincong (through Mr. WANG Jian) and the Employees Shareholding Platform (through Ms. SHANG Jing) respectively; (iii) the Company shall, upon the setting up of the Platform Co, transfer 100% in ROL to the Platform Co, so that ROL would become a wholly-owned subsidiary of the Platform Co, and the WFOE (a wholly-owned subsidiary of ROL incorporated under the laws of the PRC) would also become a wholly-owned subsidiary of the Platform Co. and (iv) the WFOE, the OPCO, YZN and/or the PRC Equity Owners shall enter into the PT VIE Contractual Arrangements; and

(b) a set of control documents were entered into between the PT WFOE and Pingtan Xinban, YZN and/or the PT PRC Equity Owners to allow the PT WFOE to contractually control 100% equity interests and the management of the Pingtan Xinban Group.

Since Mr. WANG Jian and Ms. SHANG Jing are both directors and substantial shareholders of Pingtan Xinban, which is a subsidiary of the Company, Mr. WANG Jian and Ms. SHANG Jing are connected persons of the Company at subsidiary level, the entering into of the Second Supplemental Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the notification and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

CONNECTED TRANSACTIONS *(Continued)*

As each of Mr. WANG Jian and Ms. SHANG Jing is a substantial shareholder and a director of Pingtan Xinban, a subsidiary of the Company, as a result of the Second Supplemental Agreement and the PT VIE Contractual Arrangements, each of them has also become a substantial shareholder and a director of the Platform Co, a subsidiary of the Company, and Ms. HAN Lihui has become a substantial shareholder of the OPCO, each of Mr. WANG Jian, Ms. SHANG Jing and Ms. HAN Lihui is a connected person of the Company at subsidiary level, and the transactions contemplated under the VIE Contractual Arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the notification and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

Please refer to details set out in the sub-section above titled "Contractual Arrangements in respect of Pingtan Xinban Clinic Co., Ltd. (平潭心伴門診部有限公司)" under the section above titled "INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS" and the announcement of the Company dated 20 December 2021.

During the year ended 31 December 2021, no service fee has been paid by Pingtan Xinban/YZN to the PT WFOE under the exclusive business cooperation agreement entered into between Pingtan Xinban/ YZN and the PT WFOE.

Grant of waiver

The Company has applied for, and the Stock Exchange has granted a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with the requirement of (i) fixing the term of the HZ VIE Contractual Arrangements and PT VIE Contractual Arrangements for a period of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules, and (ii) setting a maximum aggregate annual cap for the fees payable to the WFOE under the HZ VIE Contractual Arrangements and PT VIE Contractual Arrangements pursuant to Rule 14A.53 of the Listing Rules, subject to the conditions as set out more particularly in the announcements of the Company dated 8 October 2021 and 20 December 2021 respectively.

CONNECTED TRANSACTIONS *(Continued)*

Annual review

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, the HZ VIE Contractual Arrangements and the PT VIE Contractual Arrangements carried out during the year ended 31 December 2021 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 and relevant control documents governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

PwC, the auditor of the Company, has provided a letter to the Board under Rule 14A.56 of the Listing Rules, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions under the Cooperation Framework Agreement, the HZ VIE Contractual Arrangements and the PT VIE Contractual Arrangements: (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, the HZ VIE Contractual Arrangements and the PT VIE Contractual Arrangements respectively, and the relevant control documents governing the transactions; and (iv) have exceeded the cap (with respect to the Cooperation Framework Agreement only).

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 32 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 26 to 39 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

There is no other change in Directors' information are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of 2021 Interim Report up to the date of this report.

On behalf of the Board

YUEN Hoi Po
Executive Director and Chief Executive Officer

Hong Kong, 31 March 2022

pwc

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"), which are set out on pages 83 to 179, comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of the interest in an associate — HB Entertainment Co., Ltd. ("HB Entertainment");
- Impairment assessment of the completed film rights and films production in progress; and
- Purchase price allocation for acquisition of 51% equity interest in Pingtan Xinban Clinic Company Limited ("Pingtan") and impairment assessment of goodwill of Pingtan.

Key Audit Matters *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of the interest in an associate — HB Entertainment Co., Ltd. ("HB Entertainment")	
Refer to Note 2(b), 2(g), 4 and 18(a) to the consolidated financial statements. As at 31 December 2021, the net carrying amount of the interest in an associate — HB Entertainment was HK\$236,912,000 (2020: HK\$263,297,000). 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. Management determined 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 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 results of the impairment assessment, no impairment was recognised for the year ended 31 December 2021 based on the recoverable amount of HK\$254,450,000, 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.	The procedures performed in relation to the impairment assessment of the interest in an associate — HB Entertainment included: • 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; and • We reconciled the data input for the cash flow forecasts to the budgets approved by management of the associate and assessed the reasonableness of these budgets by comparing to historical information and the approved business plan. Based on the results of the 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 — HB Entertainment 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), 4 and 15 to the consolidated financial statements.

As at 31 December 2021, the net carrying amount of the completed film rights and films production in progress was HK$116,949,000 (2020: HK$341,217,000).

Management performed assessment at the end of each reporting period to consider 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 films 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 results of the impairment assessment, an impairment loss of HK$3,393,000 regarding films production in progress was recognised during the year.

We focused on auditing the impairment assessment of the 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.

The procedures performed in relation to the impairment assessment of the completed film rights and films production in progress included:

- 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; and
- We performed sensitivity analysis on the expected revenue applied to the VIU calculations in order to assess the potential impact of a range of possible outcomes.

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

Key Audit Matters *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter

Purchase price allocation for acquisition of 51% equity interest in Pingtan Xinban Clinic Company Limited ("Pingtan") and impairment assessment of goodwill of Pingtan

Refer to Note 2(b), 4, 17 and 33 to the consolidated financial statements.

The Group completed the acquisition of 51% equity interest in Pingtan at a consideration of RMB40,000,000 (equivalent to approximately HK$47,877,000) on 29 April 2021, date of acquisition ("date of acquisition").

The Group determined the fair values of identified assets acquired and liabilities assumed of Pingtan as at the date of acquisition and recoverable amount of Pingtan by using FVLCOD method for discounted cash flows with the assistance of the independent external valuer.

The purchase price was allocated to the identified assets acquired and liabilities assumed and the Group recognised identifiable net assets of RMB27,873,000 (equivalent to approximately HK$33,361,000) and goodwill of RMB25,785,000 (equivalent to approximately HK$30,863,000) at the date of acquisition.

The Group is required to, at least annually, test goodwill for impairment.

The valuation of purchase price allocation and impairment assessment of goodwill involved significant management judgements and estimates in the determination of valuation models and the application of assumptions in the models, including forecast revenue growth rates, terminal growth rates, and discount rates used.

Based on the result of the impairment assessment, no impairment was recognised during the year.

We focused on auditing the valuation of purchase price allocation of Pingtan and impairment assessment of goodwill because the valuation of purchase price allocation and estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risks in relation to the valuation of purchase price allocation of Pingtan and impairment assessment of goodwill are considered significant due to complexity of the model and subjectivity of significant assumptions used.

The procedures performed in relation to the purchase price allocation for acquisition of 51% equity interest in Pingtan and impairment assessment of goodwill of Pingtan included:

- 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 goodwill;
- 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 independent external valuer's objectivity, capability and competency to perform the valuation;
- We obtained the valuation report and discussed with the independent external valuer on the methodologies and key assumptions used;
- We assessed the appropriateness of methodologies and the reasonableness of key assumptions used in valuation such as revenue growth rates, terminal growth rates and discount rates based on our knowledge of the business and industry and market research with the involvement of our internal valuation expert; and
- We performed sensitivity analysis on the key assumptions to evaluate the potential impacts on the recoverable amount of Pingtan, where we flexed the growth rates and discount rates as these are the key assumptions to which the valuation models are the most sensitive.

Based on the above procedures performed, we found that the key judgement and assumptions applied by management in relation to the valuation of purchase price allocation for acquisition of 51% equity interest in Pingtan and impairment assessment of goodwill of Pingtan 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 the 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 is 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, 31 March 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	**323,809**	97,885
Film investment income	5	**1,912**	8,177
Interest revenue calculated using the effective interest method	5	**1,992**	4,993
		327,713	111,055
Cost of sales		**(285,812)**	(60,189)
Gross profit		**41,901**	50,866
Other income and other gains, net	5	**15,388**	9,890
Marketing and selling expenses		**(50,670)**	–
Administrative expenses		**(139,376)**	(94,702)
Net provision for impairment of financial assets		**(1,875)**	(137)
		(134,632)	(34,083)
Finance (costs)/income, net	7	**(2,280)**	1,172
Share of results of an associate	18(a)	**(4,933)**	2,504
Provision for impairment of interest in an associate	18(a)	**–**	(25,761)
Loss before taxation	8	**(141,845)**	(56,168)
Taxation	9	**418**	(406)
Loss for the year		**(141,427)**	(56,574)
Attributable to:			
Equity holders of the Company		**(110,402)**	(56,574)
Non-controlling interests		**(31,025)**	–
		(141,427)	(56,574)
		HK Cents	HK Cents
Loss per share attributable to the equity holders of the Company for the year			
Basic and diluted loss per share	10	**(0.82)**	(0.42)

The notes on pages 89 to 179 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Loss for the year		**(141,427)**	(56,574)
Other comprehensive loss:			
Item that may be reclassified to profit or loss:			
– Currency translation differences		**(21,625)**	(44)
Other comprehensive loss for the year, net of tax		**(21,625)**	(44)
Total comprehensive loss for the year		**(163,052)**	(56,618)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(132,493)**	(56,618)
Non-controlling interests		**(30,559)**	–
		(163,052)	(56,618)

The notes on pages 89 to 179 are an integral part of these consolidated financial statements.

		As at 31 December	
		2021	2020
	Notes	**HK$'000**	HK$'000
Assets			
Non-current assets			
Property, plant and equipment	13	**7,466**	1,765
Right-of-use assets	14	**61,914**	68,165
Film rights and films production in progress	15	**116,949**	363,524
Intangible assets	16	**4,793**	–
Goodwill	17	**30,397**	–
Interests in associates	18	**261,072**	263,297
Financial asset at fair value through profit or loss	20	**–**	474
Prepayments, deposits and other receivables	23	**1,803**	18,486
		484,394	715,711
Current assets			
Inventories	24	**2,272**	–
Trade receivables	21	**63,327**	–
Programmes and films production in progress	22	**–**	44,832
Prepayments, deposits and other receivables	23	**211,227**	6,394
Financial asset at fair value through profit or loss	20	**1,428**	–
Cash and cash equivalents	25	**148,552**	113,837
		426,806	165,063
Total assets		**911,200**	880,774
Equity and liabilities			
Equity			
Equity attributable to the equity holders of the Company			
Share capital	28	**269,962**	269,962
Reserves	29	**385,391**	506,630
		655,353	776,592
Non-controlling interests		**3,547**	–
Total equity		**658,900**	776,592

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Notes	As at 31 December 2021 HK$'000	2020 HK$'000
Liabilities			
Non-current liabilities			
Lease liabilities	14	**10,036**	2,016
Deferred income tax liabilities	9	**1,011**	1,542
		11,047	3,558
Current liabilities			
Trade payables	26	**29,291**	–
Other payables and accrued liabilities	27	**89,135**	34,891
Contract liabilities	27	**80,670**	–
Lease liabilities	14	**42,157**	65,733
		241,253	100,624
Total liabilities		**252,300**	104,182
Total equity and liabilities		**911,200**	880,774

The financial statements on pages 83 to 179 were approved by the Board of Directors on 31 March 2022 and were signed on its behalf.

YUEN Hoi Po	**CHENG Wu**
Director	*Director*

The notes on pages 89 to 179 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	30(a)	**108,383**	(71,442)
Interest received from programmes and films production in progress		**322**	2,512
Interest paid		**(10)**	(1,478)
Net cash generated from/(used in) operating activities		**108,695**	(70,408)
Cash flows from investing activities			
Interest received		**1,484**	1,342
Purchases of property, plant and equipment		**(6,397)**	(1,379)
Purchases of intangible assets		**(4,829)**	–
Investment in an associate		**(24,160)**	–
Acquisition of subsidiaries	33	**(2,791)**	–
Prepayment for an equity investment		**–**	(17,267)
Net cash used in investing activities		**(36,693)**	(17,304)
Cash flow from financing activities			
Repayment of bank and other borrowings	30(b)	**(1,197)**	(45,009)
Decrease in pledged bank deposits		**–**	49,664
Principal elements of lease payments	30(b)	**(38,399)**	(2,716)
Net cash (used in)/generated from financing activities		**(39,596)**	1,939
Net increase/(decrease) in cash and cash equivalents		**32,406**	(85,773)
Cash and cash equivalents at 1 January		**113,837**	198,248
Currency translation differences		**2,309**	1,362
Cash and cash equivalents at 31 December	25	**148,552**	113,837

The notes on pages 89 to 179 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Company					
	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2020	269,962	2,061,195	(1,497,947)	833,210	–	833,210
Comprehensive loss:						
– Loss for the year	–	–	(56,574)	(56,574)	–	(56,574)
Other comprehensive (loss)/income:						
Currency translation differences						
– Group	–	(8,348)	–	(8,348)	–	(8,348)
– Associate (Note 18)	–	8,304	–	8,304	–	8,304
Total comprehensive loss	–	(44)	(56,574)	(56,618)	–	(56,618)
Balance at 31 December 2020	269,962	2,061,151	(1,554,521)	776,592	–	776,592

	Attributable to equity holders of the Company					
	Share capital HK$'000	**Other reserves HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total HK$'000**
Balance at 1 January 2021	**269,962**	**2,061,151**	**(1,554,521)**	**776,592**	**–**	**776,592**
Comprehensive loss:						
– Loss for the year	**–**	**–**	**(110,402)**	**(110,402)**	**(31,025)**	**(141,427)**
Other comprehensive (loss)/ income:						
Currency translation differences						
– Group	**–**	**(639)**	**–**	**(639)**	**–**	**(639)**
– Associate (Note 18)	**–**	**(21,452)**	**–**	**(21,452)**	**–**	**(21,452)**
– Non-controlling Interests	**–**	**–**	**–**	**–**	**466**	**466**
Total comprehensive loss	**–**	**(22,091)**	**(110,402)**	**(132,493)**	**(30,559)**	**(163,052)**
Contribution by and distribution to owners of the Company recognized directly in equity:						
– Share-based compensation	**–**	**11,254**	**–**	**11,254**	**17,759**	**29,013**
Acquisition of subsidiaries (Note 33)	**–**	**–**	**–**	**–**	**16,347**	**16,347**
Balance at 31 December 2021	**269,962**	**2,050,314**	**(1,664,923)**	**655,353**	**3,547**	**658,900**

The notes on pages 89 to 179 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) online prescription, circulation and marketing of pharmaceutical products (Echartnow Platform); (ii) Internet healthcare management platform (Meerkat Health Platform); (iii) entertainment and media business; and (iv) 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 31 March 2022.

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.

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure 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 and interest in an associate — Deep Sea Health Limited 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statement are disclosed in Note 4.

(i) *Amended standards adopted by the Group*

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

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

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)*

(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
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
HKFRS 16 (Amendment)	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendment)	Onerous Contracts — Costs of Fulfilling a Contract	1 January 2022
HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 (Amendments)	Annual Improvements to HKFRS Standards 2018 to 2020	1 January 2022
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	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 and goodwill*

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)*

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.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

(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.

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)*

(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 interests in associates are recognized in the consolidated income statement.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Group has applied the measurement exemption within HKAS 28 "Investments in Associates and Joint Ventures", when an investment in an associate is held by, or is held indirectly through, a venture capital organization, or a mutual fund, unit trust and similar entities, the Group elects to measure investment in the associate at fair value through profit or loss since the Group decides such investment has the characteristics of a venture capital investment.

(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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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$") as the Group's and the Company's presentation currency. Accordingly, the consolidated financial statements are presented in HK$.

(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)/income, 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;

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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.

(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 interests 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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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 and films production in progress

(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.

(iii) *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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

(f) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

(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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

(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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

(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, less provision for impairment.

See Note 21 for further information about the Group's accounting for trade receivables and Note 2(h)(iv) for the description of the Group's impairment policies.

(l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(m) Cash and cash equivalents

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

(n) Share capital

Ordinary shares and preference shares are classified as equity.

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

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

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Dividend distribution

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

(p) Trade payables and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables and 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.

(q) Borrowings

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Current and deferred income tax

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

(i) *Current income tax*

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

(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)*

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.

(s) Provisions

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition

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

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

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group reports revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in a transaction. The Group is a principal if it controls the specified product or service before that product or service is transferred to a customer or it has a right to direct others to provide the product or service to the customer on the Group's behalf. Indicators that the Group is a principal include, but are not limited to, whether the Group (i) is primarily responsible for fulfilling the promise to provide the specified good or service; (ii) has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; (iii) has discretion in establishing the price for the specified good or service, etc.

(i) *Platform service fee for circulation of prescribed pharmaceutical products*

The Group has a new retail platform for prescribed pharmaceutical products which can connect doctors, patients and physical pharmacies and establish a closed loop starting from doctors issuing electronic prescriptions, patients ordering prescription drugs at pharmacies, online payment to final delivery of the drugs prescribed. The Group will receive platform service fees from the pharmacies based on a certain percentage of the Gross Merchandise Value ("GMV") of the prescribed pharmaceutical products ordered by the patients from the pharmacies through the platform. Platform service fees are recognized upon the delivery of prescription drugs to customers.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(ii) *Digital marketing services*

The Group agrees the sales price for each service with the customers upfront and bills to the customers based on the actual service rendered and completed. Revenue is generally recognized at a point in time when the services are rendered and accepted by the customers.

(iii) *Sale of pharmaceutical and healthcare products*

The Group is engaged in the sale of pharmaceutical and healthcare products to individual customers and to merchant customers. Revenue from the sale of pharmaceutical and healthcare products is recorded net of discounts and recognized when the goods are delivered to customers by third party couriers. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized.

(iv) *Revenues from the internet healthcare service business*

The Group provides a variety of standardized service packages that integrate services provided by various medical and healthcare organizations to meet the health-related needs of the users, such as health check-ups and vaccine inoculation. The Group principally generates revenue from selling the standardized service packages to individual customers or corporate customers. Different types of service packages provide the customers with a specific number of times of services for each service offered in the package. Revenue is recognized upon the individual service is rendered to customers.

(v) *Revenue from film exhibition*

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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(vi) ***Revenue from license fee and sub-licensing of film and TV programmes rights***

Revenue from license fee and sub-licensing of film and TV programmes rights is recognized at a point in time when the control of film and TV programme rights is licensed to the customers so that the customers can direct the use and obtain associated benefit.

(vii) ***Club activities income, food and beverage income and membership fee income***

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.

(u) Interest income and interest revenue

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

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

(v) Dividend income

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

(w) Share-based payments

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) 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)*

(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.

(y) 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)*

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 2021 would decrease/increase by HK$891,000 (2020: HK$683,000).

(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, programmes and films production in progress and financial asset at fair value through profit or loss 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, programme and films production in progress and financial asset at fair value through profit or loss 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)*

Other than concentration of credit risk on bank balances, which are deposited with several banks with good credit ratings, the Group has concentration of credit risk as the Group's largest debtor accounted for 44% (2020: Nil) of the total trade receivables, and top three debtors constituted 94% (2020: Nil) of the total trade receivables as at 31 December 2021.

(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. Trade receivables have been grouped based on shared credit risk characteristics. Management also considers the default rates and loss given default from external rating agency report and forward-looking information that may impact the customer's ability to repay the outstanding balances.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

Other financial assets at amortized cost

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

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

The trade receivables, programmes and films production in progress, deposits 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 2021 and 2020, the expected credit losses of these individually assessed receivables were as follows:

	2021 **HK$'000**	2020 HK$'000
Programmes and films production in progress (Note 22)	**(25)**	(137)
Trade receivables (Note 21)	**193**	–
Deposits and other receivables (Note 23)	**1,707**	–

The impacts of expected credit losses of collectively assessed receivables were immaterial for the year ended 31 December 2021 (2020: same).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(c) *Foreign exchange risk*

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

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

As at 31 December 2021, 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$6,725,000 (2020: HK$3,149,000), mainly as a result of foreign exchange gains/losses on translation of cash and cash equivalent and other receivables denominated in RMB and recorded in group entities with functional currency in HK$.

As at 31 December 2021, if KRW had strengthened/weakened by 5% against HK$ with all other variables held constant, the loss for the year would increase/decrease by HK$247,000 (2020: decrease/increase by HK$125,000), mainly as a result of foreign exchange gains/losses on translation of financial asset at fair value through profit or loss and share of results of an associate denominated in KRW and recorded in group entities with functional currency in HK$.

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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(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.

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

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2021						
Trade payables	–	29,291	–	–	–	29,291
Other payables and accrued liabilities	–	72,129	–	–	–	72,129
Lease liabilities	–	42,157	10,036	–	–	52,193
Total	–	143,577	10,036	–	–	153,613
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

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:

	2021 **HK$'000**	2020 HK$'000
Total lease liabilities (Note 14)	**52,193**	67,749
Less: cash and cash equivalents (Note 25)	**(148,552)**	(113,837)
Net surplus	**(96,359)**	(46,088)
Total equity	**658,900**	776,592
Gearing ratio	**N/A**	N/A

(iii) Fair value estimation

The table below analyzes financial assets 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)*

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
Assets				
At 31 December 2021				
Interest in an associate (Note 18(b))				
– Deep Sea Health Limited	–	–	24,160	24,160
Financial asset at fair value through profit or loss (Note 20)				
– Deep Sea Health Limited	–	–	1,428	1,428
Film rights and films production in progress				
– Film rights investments (Note 15)	–	–	–	–
	–	–	25,588	25,588
At 31 December 2020				
Financial asset at fair value through profit or loss (Note 20)				
– Hauyi-Warner Contents Fund	–	–	474	474
Film rights and films production in progress				
– Film rights investments (Note 15)	–	–	22,307	22,307
	–	–	22,781	22,781

The Group's finance department includes a team that performs the valuations of 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.

Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available. If one ore more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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

There were no transfers between levels 1, 2 and 3, and no change in valuation techniques during the year (2020: same).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

The following table presents the movements of the Group's assets that are in level 3 for the years ended 31 December 2020 and 2021:

	Financial asset at fair value through profit or loss —Huayi-Warner Content Fund (Note (i))	**Financial asset at fair value through profit or loss —Deep Sea Health Limited (Note (ii))**	**Total**
	HK$'000	HK$'000	HK$'000
As at 1 January 2020	4,112	–	4,112
Fair value gain through profit or loss	99	–	99
Return of investment	(3,956)	–	(3,956)
Exchange realignment	219	–	219
As at 31 December 2020	474	–	474
As at 1 January 2021	**474**	**–**	**474**
Fair value gain through profit or loss	**546**	**–**	**546**
Addition	**–**	**1,428**	**1,428**
Return of investment	**(967)**	**–**	**(967)**
Exchange realignment	**(53)**	**–**	**(53)**
As at 31 December 2021	**–**	**1,428**	**1,428**

3 FINANCIAL RISK MANAGEMENT *(Continued)*

	Film rights and films production in progress – Film rights investments (Note (iii)) HK$'000	**Total** HK$'000
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
As at 1 January 2021	**22,307**	**22,307**
Fair value gain through profit or loss	**1,976**	**1,976**
Exchange realignment	**615**	**615**
Transfer to trade receivables	**(24,898)**	**(24,898)**
As at 31 December 2021	**–**	**–**

	Interest in an associate — Deep Sea Health Limited (Note (iv)) HK$'000	**Total** HK$'000
As at 1 January 2021	**–**	**–**
Addition	**24,160**	**–**
As at 31 December 2021	**24,160**	**24,160**

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. ***Financial asset at fair value through profit or loss — Deep Sea Health Limited***

The Group has determined that the cost of acquisition during the year approximates fair value of the unlisted investment as at 31 December 2021 given the short time period in between.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

iii. *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 2021, 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 2021 (2020: same).

iv. *Interest in an associate – Deep Sea Health Limited*

The Group has determined that the cost of acquisition during the year approximates fair value of the unlisted investment as at 31 December 2021 given the short time period in between.

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) 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), 2(f) and 2(g). Such annual assessment is performed on film-by-film basis at each balance sheet date. The recoverable amounts of completed films right and films production in progress have been determined based on the expected future cash flow forecasts and the films production budget and status respectively. These forecasts require the use of estimates.

For the year ended 31 December 2021, no provision for impairment of completed film rights (2020: HK$1,138,000) and provision for impairment of HK$3,393,000 of films production in progress was recognized (2020: Nil).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(ii) 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.

(iii) 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).

(iv) Impairment of interest in an associate — HB Entertainment Co., Ltd. ("HB Entertainment")

The Group assesses at the end of each reporting period to consider whether there is any indication for impairment on the interest in an associate — HB Entertainment and further assesses if they have suffered any impairment, in accordance with the accounting policy stated in Note 2(b)(vi) and 2(g). The recoverable amount has been determined by fair value less costs of disposal of the average enterprise value-to-revenue ratio based on a pool of comparable listed companies within the same industry. The calculation requires the use of estimates.

For the year ended 31 December 2021, no provision for impairment of interest in an associate — HB Entertainment has been recognized (2020: HK$25,761,000).

(v) Classification of joint arrangements

The Group has entered into joint arrangements to produce and distribute films. The Group has participating interests ranging from 20% to 50% (2020: 14.6% 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(vi) 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 2021, potential future cash outflows of RMB396,630,000 (equivalent to HK$485,115,000) (2020: RMB396,630,000 (equivalent to HK$471,258,000) 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.

(vii) Valuation of net identifiable assets arising from the business combination

The Group completed the acquisition of Pingtan Xinban Clinic Company Limited on 29 April 2021. Management of the Group has engaged an independent external valuer to assist in performing the purchase price allocation assessment on the fair values of assets acquired and liabilities assumed as at the acquisition date.

Significant management judgements were involved in the valuation methodology and underlying assumptions of the valuation of purchase price allocation.

Had the Group used different inputs or assumptions, other identifiable assets acquired and liabilities assumed and the goodwill recognised would be different and thus cause impact to the consolidated balance sheet. Details of the business combination are disclosed in Note 33.

(viii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the cash-generating units based on fair value less costs of disposal calculations. The calculation requires the use of estimates. Details of key assumptions and inputs used are disclosed in Note 17.

For the year ended 31 December 2021, no provision for impairment of goodwill has been recognized.

(ix) Share-based payments

Judgement is exercised in the assessment of the fair value of the share-based payments. In making its judgement, management considers the nature of services received and a wide range of factors such as the share price of the Company and estimated vesting number of shares based on the non-market performance conditions.

5 REVENUE, 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) online prescription, circulation and marketing of pharmaceutical products; (ii) Internet healthcare management platform; (iii) entertainment and media business; and (iv) provision of healthcare and wellness services.

	2021 **HK$'000**	2020 HK$'000
Revenue		
Online prescription, circulation and marketing of pharmaceutical products		
– Digital marketing services	**35,968**	–
– Platform service fee for circulation of prescribed pharmaceutical products	**182**	–
Internet healthcare management platform		
– Sale of pharmaceutical and healthcare products	**22,457**	–
– Internet healthcare services	**37**	–
Entertainment and media		
– Film exhibition and license fee	**151,436**	–
– Sub-licensing of film and TV programmes rights	**–**	610
Healthcare and wellness services		
– Club activities income	**68,879**	53,096
– Membership fees	**27,463**	31,515
– Food and beverage	**17,387**	12,664
	323,809	97,885
Film investment income (Entertainment and media)	**1,912**	8,177
Interest revenue calculated using the effective interest method (Entertainment and media)	**1,992**	4,993
	327,713	111,055
Other income and other gains, net		
Share of subsidies for movie production	**10,645**	–
Interest income	**1,484**	1,342
Fair value gain on financial assets at fair value through profit or loss, net	**1,921**	318
Fair value change on film investment fund received	**(951)**	–
Gain on modification of lease	**–**	2,297
Exchange gains, net	**2,003**	5,289
Others	**286**	644
	15,388	9,890

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.

In previous years, 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. Following the completion of the acquisition of Pingtan Xinban Clinic Company Limited and the establishment of new operations of Hangzhou Meerkat Health Technology Co., Ltd. during the year, the management committee has added two more main operating segments: (i) Online prescription, circulation and marketing of pharmaceutical products (Echartnow Platform); (ii) Internet healthcare management platform (Meerkat Health Platform). Therefore, the management committee has currently determined that the Group is organised into four operating segments. 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 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 2021 (2020: Nil).

6 SEGMENT INFORMATION *(Continued)*

(a) Business segment

For the year ended 31 December 2021

	Online prescription, circulation and marketing of pharmaceutical products HK$'000	Internet healthcare management platform HK$'000	Entertainment and media HK$'000	Healthcare and wellness services HK$'000	Total HK$'000
Revenue	36,150	22,494	151,436	113,729	323,809
Film investment income	–	–	1,912	–	1,912
Interest revenue calculated using the effective interest method	–	–	1,992	–	1,992
	36,150	22,494	155,340	113,729	327,713
Share of results of an associate	–	–	(4,933)	–	(4,933)
Segment results	(57,261)	(13,881)	(34,317)	(1,019)	(106,478)
Exchange gains, net					2,003
Unallocated expenses, net					(35,090)
					(139,565)
Finance costs, net					(2,280)
Loss before taxation					(141,845)
Taxation					418
Loss for the year					(141,427)
Loss for the year attributable to non-controlling interests					31,025
Loss for the year attributable to equity holders of the Company					(110,402)

6 SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2021

	Online prescription, circulation and marketing of pharmaceutical products HK$'000	Internet healthcare management platform HK$'000	Entertainment and media HK$'000	Healthcare and wellness services HK$'000	Total HK$'000
Segment assets	158,783	64,564	486,299	98,843	808,489
Unallocated assets					102,711
Total assets					911,200
Segment liabilities	124,409	32,265	1,051	72,760	230,485
Unallocated liabilities					21,815
Total liabilities					252,300
Other information:					
Additions of right-of-use assets (including acquisition of subsidiaries)					
– Allocated	3,482	11,811	–	–	15,293
– Unallocated					5,837
Purchases of property, plant and equipment (including acquisition of subsidiaries)					
– Allocated	2,091	1,668	–	2,777	6,536
– Unallocated					13
Purchases of intangible assets	–	4,829	–	–	4,829
Depreciation of right-of-use assets					
– Allocated	807	672	–	22,693	24,172
– Unallocated					4,612
Depreciation of property, plant and equipment					
– Allocated	99	38	–	613	750
– Unallocated					166
Amortization of completed film rights	–	–	138,596	–	138,596
Amortization of intangible assets	–	35	–	–	35
Reversal of impairment of programmes and films production in progress	–	–	(25)	–	(25)
Provision for impairment of film rights and films production in progress	–	–	3,393	–	3,393
Provision for impairment of trade receivables	88	–	105	–	193
Provision for impairment of other receivables					
– Allocated	–	–	1,000	364	1,364
– Unallocated					343

6 SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2020

	Entertainment and media HK$'000	Healthcare and wellness services HK$'000	Total HK$'000
Revenue	610	97,275	97,885
Film investment income	8,177	–	8,177
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 attributable to equity holders of the Company			(56,574)

6 SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2020

	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:			
Additions 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
Additions 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)*

(b) Geographical information

The geographical information for the year ended 31 December 2021 and 2020 are as follows:

	Revenue from external customers		Non-current assets [Note]	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
The PRC	**174,905**	104,957	**96,986**	108,955
Hong Kong	**–**	–	**7,585**	6,362
Other countries	**152,808**	6,098	**116,948**	318,137
	327,713	111,055	**221,519**	433,454

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

7 FINANCE (COSTS)/INCOME, NET

	2021 HK$'000	2020 HK$'000
Finance cost		
Imputed finance cost on unwinding of discounted other borrowings	**–**	(2,774)
Interest on bank borrowings	**(10)**	(1,478)
Interest on lease liabilities (Note 14)	**(2,270)**	(3,644)
	(2,280)	(7,896)
Finance income		
Imputed finance income on unwinding of discounted pledged deposits paid	**–**	2,746
Exchange gain related to other borrowings	**–**	6,322
	–	9,068
Finance (costs)/income, net	**(2,280)**	1,172

8 LOSS BEFORE TAXATION

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

	2021 HK$'000	2020 HK$'000
Film production and distribution fee	**50,396**	–
Depreciation of property, plant and equipment (Note 13)	**916**	3,516
Depreciation of right-of-use assets (Note 14)	**28,784**	27,564
Auditor's remuneration		
– Audit services	**2,100**	2,100
– Non-audit services	**1,410**	3,766
Expense relating to short-term leases (Note 14)	**4,582**	97
Provision for impairment of		
– Right-of-use assets (Note 14)	**–**	11,095
– Interest in an associate (Note 18(a))	**–**	25,761
– Film rights and films production in progress (Note 15)	**3,393**	1,138
Net provision for/(reversal of) impairment of financial assets		
– Programmes and films production in progress (Note 22)	**(25)**	(137)
– Trade receivables (Note 21)	**193**	–
– Deposits and other receivables (Note 23)	**1,707**	–
Amortization of completed film rights (Note 15)	**138,596**	–
Amortization of intangible assets (Note 16)	**35**	–
Costs of online prescription, circulation and marketing of pharmaceutical products	**21,513**	–
Costs of inventories sold (Note 24)	**22,802**	–
Food and beverage costs in relation to "Bayhood No. 9 Club" operation	**8,659**	7,359
Surcharge and interest in relation to "Bayhood No. 9 Club" operation	**–**	8,137
Labour costs in relation to "Bayhood No. 9 Club" operation	**38,580**	35,259
Employee benefit expense:		
Directors' fees (Note 35)	***720***	*720*
Wages and salaries	***26,384***	*16,505*
Contributions to defined contribution pension schemes (Note a)	***2,658***	*1,230*
Share-based compensation expenses	***29,013***	*–*
	58,775	18,455

Note a: During the year ended 31 December 2021, no forfeited contributions were utilized by the Group to reduce its contributions for the current year (2020: Nil).

9 TAXATION

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit in Hong Kong for the year (2020: 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.

	2021 HK$'000	2020 HK$'000
Current income tax		
– Hong Kong profits tax	**–**	–
– PRC corporate income tax	**–**	–
Deferred income tax credit/(expense)	**418**	(406)
	418	(406)

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:

	2021 **HK$'000**	2020 HK$'000
Loss before taxation	**(141,845)**	(56,168)
Tax calculated at domestic tax rates applicable to the profit or loss in respective countries	**(30,307)**	(11,445)
Tax effects of an associate, results reported net of tax	**814**	(426)
Income not subject to tax	**(27,311)**	(2,888)
Expenses not deductible for tax purposes	**44,288**	15,515
Utilization of previously unrecognized tax losses	**–**	(350)
Tax losses not recognized	**12,098**	–
Taxation	**(418)**	406

The weighted average applicable tax rate was 21.37% (2020: 20.38%). 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:

	2021 **HK$'000**	2020 HK$'000
Current		
Deferred income tax assets to be recovered after less than 12 months	**771**	771
Deferred income tax liabilities to be recovered after less than 12 months	**(771)**	(771)
	–	–
Non-current		
Deferred income tax liabilities to be recovered after more than 12 months	**(1,011)**	(1,542)

9 TAXATION *(Continued)*

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

	2021 HK$'000	2020 HK$'000
At the beginning of the year	(1,542)	(1,039)
Charged to the consolidated income statement	418	(406)
Exchange differences	113	(97)
At the end of the year	(1,011)	(1,542)

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 2020	–	–
Charged to the consolidated income statement	796	796
Exchange differences	(25)	(25)
As at 31 December 2020 and 1 January 2021	771	771
Charged to the consolidated income statement	–	–
Exchange differences	–	–
As at 31 December 2021	771	771

9 TAXATION *(Continued)*

Deferred tax liabilities

	Unremitted earning HK$'000	Film investment income HK$'000	Total HK$'000
At 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 and 1 January 2021	**(1,542)**	**(771)**	**(2,313)**
Charged to the consolidated income statement	**418**	**–**	**418**
Exchange differences	**113**	**–**	**113**
At 31 December 2021	**(1,011)**	**(771)**	**(1,782)**

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 2021, the Group had unrecognized tax losses of approximately HK$348,240,000 (2020: approximately HK$336,142,000) 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 increase of unrecognized tax losses was mainly attributable to addition of unrecognized tax loss of the PRC subsidiaries during the year ended 31 December 2021. 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$3,417,000 (2020: approximately HK$393,000) in respect of tax losses of approximately HK$13,669,000 (2020: approximately HK$1,571,000) that will expire in five years from the year incurred. The remaining tax losses of approximately HK$334,571,000 (2020: 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.

	2021	2020
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)	**(110,402)**	(56,574)
Basic loss per share attributable to equity holders of the Company (HK cents per share)	**(0.82)**	(0.42)

During the year ended 31 December 2021, all of the share-based compensation had anti-dilutive effect to the Company and therefore, 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 2021 (2020: same).

11 DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2021 (2020: 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 (2020: Nil) director whose emoluments are reflected in the analysis shown in Note 35(a). The emoluments payable to the five (2020: five) individuals during the year are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, bonuses, allowances and benefits in kind	9,720	8,009
Contributions to defined contribution pension schemes	94	72
	9,814	8,081

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands		
HK$1 – HK$500,000	–	1
HK$500,001 – HK$1,000,000	–	–
HK$1,000,001 – HK$1,500,000	1	1
HK$1,500,001 – HK$2,000,000	2	1
HK$2,000,001 – HK$2,500,000	2	2
	5	5

13 PROPERTY, PLANT AND EQUIPMENT

	Building	Machinery and equipment	Furniture, computer and equipment	Leasehold improvements	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2020						
Opening net book amount	214	960	963	–	1,599	3,736
Additions	–	542	807	–	30	1,379
Disposal	–	–	(3)	–	(1)	(4)
Depreciation (Note 8)	(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
Year ended 31 December 2021						
Opening net book amount	**–**	**508**	**935**	**–**	**322**	**1,765**
Additions	**–**	**139**	**3,134**	**1,590**	**1,534**	**6,397**
Acquisition of subsidiaries (Note 33)	**–**	**–**	**–**	**152**	**–**	**152**
Disposal	**–**	**(1)**	**(38)**	**–**	**(36)**	**(75)**
Depreciation (Note 8)	**–**	**(117)**	**(430)**	**(81)**	**(288)**	**(916)**
Exchange differences	**–**	**15**	**69**	**24**	**35**	**143**
Closing net book amount	**–**	**544**	**3,670**	**1,685**	**1,567**	**7,466**
At 31 December 2021						
Cost	**954**	**3,180**	**7,471**	**3,713**	**6,793**	**22,111**
Accumulated depreciation	**(954)**	**(2,636)**	**(3,801)**	**(2,028)**	**(5,226)**	**(14,645)**
Net book amount	**–**	**544**	**3,670**	**1,685**	**1,567**	**7,466**

Depreciation expenses of approximately HK$904,000 (2020: HK$3,516,000) and HK$12,000 (2020: Nil) have been charged in administrative expenses and marketing and selling expenses respectively.

14 LEASES

(i) Amounts recognized in the consolidated balance sheet

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

	2021 HK$'000	2020 HK$'000
Right-of-use assets		
Office	19,127	1,889
Operating assets of "Bayhood No. 9 Club"	40,605	61,814
Apartment	2,182	4,462
	61,914	68,165
Lease liabilities		
Current	42,157	65,733
Non-current	10,036	2,016
	52,193	67,749

Additions to the right-of-use assets (including acquisition of subsidiaries) during the year ended 31 December 2021 was HK$21,130,000 (2020: HK$135,858,000).

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	2021 HK$'000	2020 HK$'000
Depreciation charge of right-of-use assets			
Office		3,812	2,448
Operating assets of "Bayhood No. 9 Club"		22,692	25,018
Apartment		2,280	98
	8	28,784	27,564
Interest expense (included in finance costs)	7	2,270	3,644
Expense relating to short-term leases (included in administrative expenses)	8	4,582	97
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 two-year (2020: three-year) period, which is the length of the remaining 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 2021	2020
Compound annual growth rate of revenue in the remaining lease term period	2%	2%
Pre-tax discount rate	20%	20%

Based on the result of the impairment assessment, no provision for impairment was made during the year ended 31 December 2021. For the year ended 31 December 2020, 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, 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

	2021 **HK$'000**	2020 HK$'000
Completed film rights (Note a)	**–**	–
Films production in progress (Note a)	**116,949**	341,217
Film rights investments (Note b)	**–**	22,307
	116,949	363,524

	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 (Note 8)	(1,138)	–	–	(1,138)
Exchange differences	(11)	685	1,344	2,018
Closing net book amount	–	341,217	22,307	363,524

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 2021				
Opening net book amount	–	341,217	22,307	363,524
Film investment income	–	–	1,976	1,976
Transfer	139,311	(139,311)	–	–
Transfer to other receivables	–	(78,366)	–	(78,366)
Transfer to trade receivables	–	–	(24,898)	(24,898)
Amortization (Note 8)	(138,596)	–	–	(138,596)
Impairment (Note 8)	–	(3,393)	–	(3,393)
Return of investment	–	(4,269)	–	(4,269)
Exchange differences	(715)	1,071	615	971
Closing net book amount	–	116,949	–	116,949

Note (a):

As at 31 December 2021, the total cost of completed film rights amounting to approximately HK$264,495,000 (2020: HK$125,899,000) and accumulated amortization and impairment amounting to approximately HK$264,495,000 (2020: HK$125,899,000).

Amortization of completed film rights amounting to approximately HK$138,596,000 has been charged to the cost of sales in the consolidated income statement during the year ended 31 December 2021 (2020: Nil).

For the year ended 31 December 2021, impairment of HK$3,393,000 (2020: impairment of HK$1,138,000) on completed film rights and films production in progress was recognized by using the latest available information and best estimate from the management and has been charged to cost of sales.

During the year, the Group has several joint operation arrangements to produce or distribute up to seven (2020: ten) films. The Group has participating interests ranging from 20% to 50% (2020: 14.6% to 50%) in these joint operations. As at 31 December 2021, 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$116,949,000 (2020: HK$341,217,000).

As at 31 December 2021, the Group has licensing agreements for certain films production in progress of approximately HK$116,949,000 (2020: HK$123,806,000) with expected circulation timetables in the next year.

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 INTANGIBLE ASSETS

	Licenses and softwares	
	2021	2020
	HK$'000	HK$'000
As at 1 January	**–**	–
Additions	**4,829**	–
Amortization (Note 8)	**(35)**	–
Exchange differences	**(1)**	–
As at 31 December	**4,793**	–
As at 31 December		
Cost	**4,829**	–
Accumulated amortization	**(36)**	–
Net carrying amount	**4,793**	–

Amortization expenses of approximately HK$35,000 (2020: Nil) have been charged in administrative expenses.

17 GOODWILL

	2021	2020
	HK$'000	HK$'000
Cost and net carrying amount as at 1 January	**–**	–
Acquisition of subsidiaries (Note 33)	**30,863**	–
Exchange differences	**(466)**	–
Cost and net carrying amount as at 31 December	**30,397**	–

Impairment testing of goodwill

The above goodwill acquired through business combinations is allocated to the following CGU for impairment testing — Online prescription, circulation and marketing of pharmaceutical products. The recoverable amount of this CGU has been determined by fair value less costs of disposal calculation using discounted cash flow projections based on financial budgets covering a five-year period. The compound annual revenue growth rate is 81.6%. The discount rate applied to the cash flow projections is 20%. The discount rate for lack of marketability is 30%. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%, which approximates the long-term average growth rate of the internet healthcare services in the PRC.

18 INTERESTS IN ASSOCIATES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Interest in an associate accounted for using the equity method		
– Interest in HB Entertainment Co., Ltd.	**236,912**	263,297
Interest in an associate measured at fair value through profit or loss		
– Interest in Deep Sea Health Limited	**24,160**	–
	261,072	263,297

Set out below are the associates of the Group as at 31 December 2021 which, in the opinion of the directors, are material to the Group. These associates are private companies and there is no quoted market price available for their shares. There are no contingent liabilities relating to the Group's interests in associates, and there are no contingent liabilities of the associates themselves.

Details of interests in associates as at 31 December 2021 and 2020 are as follows:

Name	Place of establishment and kind of legal entity	% of ownership interest		Principal activities and place of operation
		2021	2020	
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
Deep Sea Health Limited ("DSH")	Hong Kong, limited company	**22%**	–	Investment holding

18 INTERESTS IN ASSOCIATES *(Continued)*

(a) HB Entertainment Co., Ltd.

Summarized financial information

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

Summarized balance sheet

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Current		
Cash and cash equivalents	**98,826**	141,585
Other current assets (excluding cash)	**99,000**	101,281
Total current assets	**197,826**	242,866
Current financial liabilities (excluding trade payables)	**(3,484)**	(9,546)
Other current financial liabilities	**(78,460)**	(72,650)
Total current liabilities	**(81,944)**	(82,196)
Non-current		
Total non-current assets	**95,822**	84,785
Total non-current liabilities	**(18,177)**	(12,176)
Net assets	**193,527**	233,279
Non-controlling interests	**10,348**	5,723
Net assets attributable to the equity holders	**203,875**	239,002

18 INTERESTS IN ASSOCIATES *(Continued)*

Summarized statement of comprehensive income

	2021 HK$'000	2020 HK$'000
Revenue	38,620	148,787
(Loss)/profit before taxation	(21,097)	10,341
Taxation	194	(2,161)
(Loss)/profit after taxation	(20,903)	8,180
Other comprehensive (loss)/income	(14,224)	13,942
Total comprehensive (loss)/income	(35,127)	22,122

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 HB Entertainment are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	263,297	278,250
Share of results	(4,933)	2,504
Provision for impairment (Note 8)	–	(25,761)
Exchange differences	(21,452)	8,304
At 31 December	236,912	263,297

18 INTERESTS IN ASSOCIATES *(Continued)*

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its interest in HB Entertainment

	2021 HK$'000	2020 HK$'000
Summarized financial information		
Opening net assets as at 1 January	239,002	216,880
(Loss)/profit for the year	(20,903)	8,180
Exchange differences	(14,224)	13,942
Closing net assets as at 31 December	203,875	239,002
Interest in HB Entertainment	62,718	73,526
Goodwill	174,194	189,771
Carrying value	236,912	263,297

Impairment assessment for the interest in HB Entertainment

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 2021 and 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.

18 INTERESTS IN ASSOCIATES *(Continued)*

Key assumptions adopted in the calculation of recoverable amount were as follows:

	As at 31 December	
	2021	2020
Unobservable inputs adopted in fair value less costs of disposal calculation		
Average enterprise value-to-revenue ratio	**5.9**	4.3
Discounts for lack of marketability	**25%**	25%
Significant influence premium	**15%**	15%

No provision for impairment of interest in HB Entertainment has been recognized for the year ended 31 December 2021. Provision for impairment of interest in HB Entertainment of approximately HK$25,761,000 has been recognized for the year ended 31 December 2020, 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.

(b) Deep Sea Health Limited

On 12 August 2021, the Company has completed an acquisition of 21.88% equity interest in Deep Sea Health Limited ("DSH") at a consideration equivalent to RMB20 million. Through the investment the Company has indirectly obtained a minority stake in a high-end clinic and hospital operation currently based in Shanghai.

The Group is able to exercise significant influence over DSH. The Group has elected to measure the investment in DSH at fair value through profit or loss since the Group decides the investment in DSH has the characteristics of a venture capital investment.

The fair value of DSH was estimated to be approximate to the cost of acquisition as at the completion date as the same valuation of DSH was adopted by the other few investors completing acquisition of DSH equity interests at the same time. The fair value of DSH as at 31 December 2021 is estimated to be approximate to the fair value at the completion date given the short time period in between.

18 INTERESTS IN ASSOCIATES *(Continued)*

Summarized financial information

Set out below is the summarized financial information of DSH. The entity is measured at fair value through profit or loss.

Summarized balance sheet

	As at 31 December 2021 HK$'000
Current	
Cash and cash equivalents	1,447
Total current assets	1,447
Current financial liabilities	(307)
Total current liabilities	(307)
Non-current	
Total non-current assets	175,854
Total non-current liabilities	–
Net assets	176,994
Non-controlling interests	(82,808)
Net assets attributable to the equity holders	94,186

18 INTERESTS IN ASSOCIATES *(Continued)*

Summarized statement of comprehensive income

	2021 HK$'000
Revenue	**–**
Loss before taxation	**(14,968)**
Taxation	**–**
Loss after taxation	**(14,968)**
Other comprehensive loss	**(220)**
Total comprehensive loss	**(15,188)**

The information above reflects the amounts presented in the financial statements of the associate and not the Group's share of those amounts.

Movements of interest in DSH are as follows:

	HK$'000
At 12 August 2021 (date of completion of acquisition of 21.88% equity interest in DSH) and 31 December 2021	**24,160**

19 FINANCIAL INSTRUMENTS BY CATEGORY

Financial 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 2021			
Trade receivables (Note 21)	**63,327**	**–**	**63,327**
Deposits and other receivables (excluding non-financial assets)	**176,608**	**–**	**176,608**
Cash and cash equivalents (Note 25)	**148,552**	**–**	**148,552**
Financial asset at fair value through profit or loss (Note20)	**–**	**1,428**	**1,428**
Total	**388,487**	**1,428**	**389,915**
As at 31 December 2020			
Programmes and films production in progress (Note 22)	44,832	–	44,832
Deposits and other receivables (excluding non-financial assets)	5,625	–	5,625
Cash and cash equivalents (Note 25)	113,837	–	113,837
Financial asset at fair value through profit or loss (Note 20)	–	474	474
Film rights investments (Note 15)	–	22,307	22,307
Total	164,294	22,781	187,075

Financial liabilities as per consolidated balance sheet

	At amortized cost HK$'000	Total HK$'000
As at 31 December 2021		
Trade payables (Note 26)	**29,291**	**29,291**
Other payables and accrued liabilities (excluding non-financial liabilities)	**72,129**	**72,129**
Lease liabilities (Note 14)	**52,193**	**52,193**
Total	**153,613**	**153,613**
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

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Non-current:		
Unlisted securities		
– Huayi-Warner Contents Fund (Note a)	**–**	474
Current:		
Put option		
– Deep Sea Health Limited (Note b)	**1,428**	–

Notes:

(a) 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 2021, it represented 11% (2020: 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 2021, 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 approximately KRW145,998,000 (equivalent to approximately HK$967,000) for its share of invested capital returned from the fund during the year ended 31 December 2021. The voluntary liquidation has been completed on 7 February 2022.

The balance is denominated in KRW. The maximum exposure to credit risk at the year-end is the carrying value.

During the year ended 31 December 2021, the net fair value gain of HK$493,000 (2020: HK$318,000) was recognized in the consolidated income statement.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) On 12 August 2021, the Company has completed an acquisition of 21.88% equity interest in Deep Sea Health Limited ("DSH"), which became an associate of the Group. In connection with the acquisition, the Company has been granted an option to put the whole of acquired 21.88% equity interests in DSH to the founder and largest shareholder of DSH by 30 December 2022 at its original cost of acquisition.

Upon initial recognition, the put option was classified as a financial asset measured at fair value through profit or loss. The fair value of the put option was estimated as at the date of grant and each financial reporting period end, using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	12 August 2021	31 December 2021
Expected volatility	62.24%	63.05%
Expected dividend	0.00%	0.00%
Exercise probability	25%	25%
Risk-free interest rate	2.24%	2.19%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

21 TRADE RECEIVABLES

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

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
0–3 months	**61,360**	–
4–6 months	**2,160**	–
Over 1 year (Note)	**8,322**	8,274
	71,842	8,274
Less: Provision for impairment	**(8,515)**	(8,274)
	63,327	–

Note: The difference between the balances as at 31 December 2021 and 31 December 2020 represented the exchange realignment.

Information about the impairment of trade receivables can be found in Note 3(i)(b).

Movements on the Group's provision for impairment of trade receivables are as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
At 1 January	**8,274**	8,310
Provision for impairment (Note 8)	**193**	–
Exchange differences	**48**	(36)
At 31 December	**8,515**	8,274

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 carrying amounts of trade receivables approximate their fair values.

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.

21 TRADE RECEIVABLES *(Continued)*

The carrying amounts of trade receivables are denominated in the following currencies:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
HK$	**6,938**	–
RMB	**54,259**	–
KRW	**2,130**	–
	63,327	–

22 PROGRAMMES AND FILMS PRODUCTION IN PROGRESS

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Programmes and films production in progress	**–**	45,030
Less: Provision for impairment	**–**	(198)
	–	44,832

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
At 1 January	**44,832**	75,874
Interest receivable	**1,670**	5,008
Receipt of investment capital and interest	**(23,602)**	(38,084)
Reversal of impairment (Note 8)	**25**	137
Transfer to other receivables	**(23,559)**	–
Exchange differences	**634**	1,897
At 31 December	**–**	44,832

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

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%.

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

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

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
HK$	**–**	30,075
RMB	**–**	14,757
	–	44,832

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.

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Prepayments (Note a)	**36,422**	19,255
Deposits and other receivables (Note a)	**201,552**	28,722
	237,974	47,977
Less: Provision for impairment	**(24,944)**	(23,097)
	213,030	24,880
Less: Non-current portion	**(1,803)**	(18,486)
	211,227	6,394

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

Note (a): 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.

The significant increase in the balances of prepayments, deposits and other receivables during the year ended 31 December 2021 were mainly due to (i) new balances arising from the commencement of new businesses in relation to online prescription, circulation and marketing of pharmaceutical products and internet healthcare management platform of approximately HK$38,111,000; and (ii) reclassification from film rights and films production in progress, and programmes and films production in progress of approximately HK$78,366,000 and HK$23,559,000 respectively.

Movements on the Group's provision for impairment of deposits and other receivables are as follows:

	As at 31 December	
	2021 **HK$'000**	2020 HK$'000
At 1 January	**23,097**	23,198
Provision for impairment (Note 8)	**1,707**	–
Exchange differences	**140**	(101)
At 31 December	**24,944**	23,097

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

	As at 31 December	
	2021 **HK$'000**	2020 HK$'000
HK$	**20,000**	3,088
RMB	**193,030**	21,792
	213,030	24,880

The carrying amounts of deposits and other receivables approximate their fair values.

Information about the impairment of deposits and other receivables can be found in Note 3(i)(b).

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

24 INVENTORIES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Finished goods	**2,272**	–

The cost of inventories sold of approximately HK$22,802,000 was recognized as expense and included in "Cost of sales" in the consolidated income statement for the year ended 31 December 2021.

No provision of impairment of inventories was recognized for the year ended 31 December 2021.

25 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Cash and bank balances	**148,552**	113,837
Denominated in:		
HK$	**10,862**	69,144
RMB	**127,753**	24,935
US$	**9,937**	19,758
	148,552	113,837
Maximum exposure to credit risk	**148,429**	113,777

The Group's cash and bank balances of approximately HK$127,616,000 and HK$24,921,000 as at 31 December 2021 and 2020, 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.

26 TRADE PAYABLES

The aging analysis of trade payables based on the invoice date were as follows:

	2021 HK$'000	2020 HK$'000
0–3 months	**28,986**	–
Over 6 months	**305**	–
	29,291	–

The carrying amounts of trade payables of the Group are denominated in RMB.

The carrying amounts of trade payables approximate their fair values.

27 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUED LIABILITIES

	As at 31 December	
	2021 HK$'000	2020 HK$'000
Current liabilities:		
Other payables and accrued liabilities (Note i)	**88,595**	26,709
Film investment fund received, net (Note ii)	**540**	8,182
	89,135	34,891
Contract liabilities (Note iii)	**80,670**	–
	169,805	34,891

Notes:

(i) Other payables and accrued liabilities mainly represented accrued operating expenses and PRC other tax payables. The increase in the balances during the year ended 31 December 2021 were due to new balances arising from the commencement of new businesses in relation to internet healthcare management platform and online prescription, circulation and marketing of pharmaceutical products.

(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.

(iii) Contract liabilities represent advanced payments received from the customers for services that have not been transferred to the customers. The significant increase in the balance during the year ended 31 December 2021 was due to new balances arising from the commencement of new business in relation to online prescription, circulation and marketing of pharmaceutical products.

27 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUED LIABILITIES *(Continued)*

The carrying amounts of other payables and accrued liabilities approximate their fair values.

The carrying amounts of the Group's contract liabilities, other payables and accrued liabilities were denominated in the following currencies:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
HK$	**2,387**	8,236
RMB	**166,878**	18,473
KRW	**540**	8,182
	169,805	34,891

28 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 2020 and 31 December 2021 (Note a)	150,000,000	3,000,000	240,760	2,408	3,002,408
Issued and fully paid:					
At 1 January 2020 and 1 January 2021	13,498,107	269,962	–	–	269,962
At 31 December 2020 and 31 December 2021	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 (2020: 150,000,000,000) shares are ordinary shares with par value of HK$0.02 (2020: HK$0.02) per share. 240,760,000 (2020: 240,760,000) shares are preference shares with par value of HK$0.01 per share (2020: HK$0.01). All issued shares are fully paid.

28 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 2021, no share option has been granted under the New Option Scheme (2020: Nil) and no share-based payment expense has been charged to the consolidated income statement (2020: Nil).

During the year ended 31 December 2021, no share options were granted, exercised, cancelled or lapsed, and there was no outstanding share option as at 31 December 2021 (2020: same).

Share award scheme

On 20 August 2021 (the "Adoption Date"), the Group adopted a share award scheme ("Share Award Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. An award granted under the Share Award Scheme will take the form of a Restricted Share Unit ("RSU"), being a contingent right to receive shares of the Company which are awarded under the Share Award Scheme.

All grants of RSUs to the Company's directors (including an executive director, a non-executive and an independent non-executive director) must first be approved by all the members of the remuneration committee of the Company, or in the case where the grant is proposed to be made to any member of the remuneration committee, by all of the other members of the remuneration committee. All grants of RSUs to connected persons shall be subject to compliance with the requirements of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules.

28 SHARE CAPITAL *(Continued)*

The maximum number of RSUs which may be awarded under the Share Award Scheme shall not exceed 10% of the issued share capital of the Company as at the Adoption Date. The maximum number of RSUs which may be awarded to any one selected grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company from time to time.

Subject to the Share Award Scheme and the fulfilment of all vesting conditions to the vesting of the RSUs on selected grantee, the respective RSUs shall vest in such selected grantee. In the event that a selected grantee ceases to be or is deemed to cease to be an eligible participant prior to the vesting of granted RSUs, the relevant RSUs made to such selected grantee shall, unless otherwise determined by the Board in its absolute discretion, lapse and automatically be forfeited. Prior to the vesting, the RSUs do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No RSU has been granted under the Share Award Scheme during the year.

29 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)	Other reserves HK$'000	Accumulated losses HK$'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

29 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)	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2021	1,213,484	860,640	1,206	(14,179)	–	(1,554,521)	506,630
Loss for the year	–	–	–	–	–	(110,402)	(110,402)
Share-based compensation	–	–	–	–	11,254	–	11,254
Currency translation differences							
– Group	–	–	–	(639)	–	–	(639)
– Associate	–	–	–	(21,452)	–	–	(21,452)
Balance at 31 December 2021	1,213,484	860,640	1,206	(36,270)	11,254	(1,664,923)	385,391

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.

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2021 HK$'000	2020 HK$'000
Loss before taxation	(141,845)	(56,168)
Adjustments for:		
– Share of results of an associate	4,933	(2,504)
– Interest income	(1,484)	(1,342)
– Interest revenue calculated using the effective interest method	(1,992)	(4,993)
– Depreciation of property, plant and equipment	916	3,516
– Depreciation of right-of-use assets	28,784	27,564
– Loss on disposal of property, plant and equipment	13	4
– Provision for impairment of interest in an associate	–	25,761
– Amortization of completed film rights	138,596	–
– Amortization of intangible assets	35	–
– Provision for impairment of right-of-use assets	–	11,095
– Provision for impairment of completed film rights	–	1,138
– Provision for impairment of films production in progress	3,393	–
– Provision for impairment of trade receivables	193	–
– Provision for impairment of deposits and other receivables	1,707	–
– Reversal of impairment of programmes and films production in progress	(25)	(137)
– Gain on modification of lease	–	(2,297)
– Fair value gain on financial assets at fair value through profit or loss, net	(1,921)	(318)
– Fair value change on film investment fund received	951	–
– Fair value gain on film rights investment	–	(4,218)
– Finance costs/(income), net	2,280	(1,172)
– Share-based compensation expenses	29,013	–
	63,547	(4,071)
Changes in working capital:		
– Increase in inventories	(2,272)	–
– Increase in trade receivables	(39,408)	–
– Increase in prepayments, deposits and other receivables	(91,676)	(23,795)
– Additions in film rights and film production in progress	–	(105,676)
– Receipt of investment return from film rights and films productions in progress	4,269	–
– Receipt of investment return from financial asset at fair value through profit or loss	967	3,956
– Receipt of investment capital of programmes and films production in progress	23,602	35,572
– Increase in other payables and accrued liabilities	39,817	22,572
– Increase in trade payables	28,867	–
– Increase in contract liabilities	80,670	–
Cash generated from/(used in) operations	108,383	(71,442)

30 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 2020	365,682	4,337	370,019
Cash flows	(45,009)	(2,716)	(47,725)
Acquisition – lease (Note 30(c)(i))	–	135,858	135,858
Modification – lease (Note 30(c)(i))	–	(54,014)	(54,014)
Foreign exchange adjustments	356	1,696	2,052
Repayment of borrowings with other deposits (Note 30(c)(ii))	(323,803)	–	(323,803)
Repayment of lease liabilities with other receivables (Note 30(c)(i))	–	(21,056)	(21,056)
Exchange gain related to other borrowings (Note 30(c)(ii))	6,322	–	6,322
Finance costs, net	(3,548)	3,644	96
At 31 December 2020	–	67,749	67,749
At 1 January 2021	**–**	**67,749**	**67,749**
Acquisition of subsidiaries (Note 33)	**1,197**	**1,896**	**3,093**
Cash flows	**(1,197)**	**(38,399)**	**(39,596)**
Acquisition – lease	**–**	**19,234**	**19,234**
Foreign exchange adjustments	**–**	**(557)**	**(557)**
Finance costs, net (Note 7)	**–**	**2,270**	**2,270**
At 31 December 2021	**–**	**52,193**	**52,193**

(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.

(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.

31 COMMITMENTS

Investment commitments

As at 31 December 2021 and 2020, total investment commitments are analyzed as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Not later than one year	**–**	17,055
	–	17,055

32 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 2021 HK$'000	31 December 2020 HK$'000
華誼兄弟電影有限公司 ("Huayi Brothers Film Co., Ltd")* (Note)	Interest revenue calculated using effective interest method	**620**	2,277
	Film investment income	**1,912**	–
	Film exhibition and license fee income	**971**	–
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
		3,503	6,846

* 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.

32 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 not entered into agreements for the investing in and carrying out media and entertainment projects with HBI or its associated company (2020: HK$101,538,000) during the year ended 31 December 2021.

(b) Related party balances

	31 December 2021 HK$'000	31 December 2020 HK$'000
Film rights and films production in progress		
– HBI	**116,949**	139,361
– Huayi Brothers Film Co., Ltd	**–**	22,307
– WR Brothers Inc. (Note)	**–**	48,451
Programmes and films production in progress		
– Huayi Brothers Film Co., Ltd	**–**	14,757
Trade receivables		
– Huayi Brothers Film Co., Ltd	**24,899**	–
	141,848	224,876

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 35 and certain of the highest paid employees is disclosed in Note 12.

33 ACQUISITION OF PINGTAN XINBAN CLINIC COMPANY LIMITED

On 7 April 2021, the Company, Prowess Investment Limited ("PIL"), the wholly owned subsidiary of the Company, and Pingtan Xinban Clinic Company Limited ("PTXB", the "Target Company") entered into the Capital Increase and Acquisition Agreement, pursuant to which PIL has conditionally agreed to acquire equity interest corresponding to the registered capital of RMB1,000,000 in the Target Company from an existing shareholder and subscribe for new registered capital of RMB19,863,635 in the Target Company (which will together comprise 51% of the total enlarged equity interest in the Target Company).

On 29 April 2021, the Group completed an acquisition of the 51% equity interest in PTXB and its subsidiaries (together, the "Target Group") for a total cash consideration of RMB40,000,000 (equivalent to approximately HK$47,877,000).

Upon closing of the said transaction, the Group acquired controls over the Target Group which became subsidiaries of the Group.

The following table summarises the consideration paid for the acquisition of the Target Group, the fair value of assets acquired and liabilities assumed on the acquisition date.

	HK$'000
Cash consideration	47,877
The assets and liabilities recognised as a result of the acquisition are as follows:	
Cash and cash equivalent	45,086
Trade and other receivables, prepayment and deposits	218
Property, plant and equipment	152
Right-of-use assets	1,896
Lease liabilities	(1,896)
Trade and other payables and accrued liabilities	(10,898)
Bank borrowing	(1,197)
Net identifiable assets acquired	33,361
Less: Non-controlling interests	(16,347)
	17,014
Goodwill *(Note 17)*	30,863
	47,877
Cash consideration	(47,877)
Cash and cash equivalents in subsidiaries acquired	45,086
Outflow of cash to acquire business, net of cash acquired	(2,791)

33 ACQUISITION OF PINGTAN XINBAN CLINIC COMPANY LIMITED *(Continued)*

The goodwill of approximately HK$30,863,000 arising from the acquisition is mainly attributable to the anticipated profitability and net cash inflows of the acquired business and the synergies created from the merger and acquisition of and the integration with newly-acquired business.

Acquisition-related costs of approximately HK$2,050,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2021.

The acquired business has recorded revenue of approximately HK$36,150,000 and contributed net loss after tax of approximately HK$57,712,000 for the period from 29 April 2021 to 31 December 2021. Should the acquisition had occurred on 1 January 2021, the consolidated pro-forma revenue and loss for the year ended 31 December 2021 would have been HK$327,713,000 and HK$148,981,000, respectively.

In accordance to the Capital Increase and Acquisition Agreement in relation to PTXB acquisition, the following payments (the "Performance Target Payments") will become payable subject to the achievements of the First and Second Performance Targets.

Performance Targets	**Performance Target Payments**
First Performance Target	Upon satisfaction of the First Performance Target
During the first 12 months after the completion date, the revenue of the Target Group reaches RMB150,000,000.	(a) RMB11,000,000 to be paid and settled by the allotment and issue of shares to the founding shareholders at the price of HK$0.529 per share (the "First Contingent Shares"); and (b) RMB50,000,000 to be injected into PTXB in cash by PIL.
Second Performance Target	Upon satisfaction of the Second Performance Target
At any time within 12 months from the achievement of the First Performance Target, (i) the revenue of the Target Group reaches RMB600,000,000; and (ii) the net profits after taxation of the Target Group reaches RMB40,000,000.	(a) RMB50,000,000 to be paid and settled by the allotment and issue of shares to the founding shareholders at the price per share equal to the average closing price of the shares of the Company for the last five consecutive trading days before the date of the achievement of the First Performance Target (the "Second Contingent Shares"); (b) RMB43,000,000 shall be paid and settled by the allotment and issue of shares to the founding shareholders at the price per share equal to the average closing price of the shares as quoted on the Stock Exchange for the last five consecutive trading days before the date of the achievement of the Second Performance Target (the "Third Contingent Shares"); and (c) RMB10,000,000 to be injected into PTXB in cash by PIL.

33 ACQUISITION OF PINGTAN XINBAN CLINIC COMPANY LIMITED *(Continued)*

Subject to the Target Group's achievement of the First Performance Target and the Second Performance Target and there being no nominee holding arrangement in relation to equity interest in the Target Company, the Group shall be obliged to acquire the remaining 49% of the total equity interest in the Target Company from the founding shareholders at the consideration of up to RMB196,000,000 (subject to adjustments depending on the extent of fulfilment of the guaranteed profits of not less than RMB50,000,000 by the Target Group in each of the two years after the completion of the acquisition of the remaining 49% interests (the "Guaranteed Profits")), to be satisfied by issuance of the Company's new shares (the "Further Payments").

The Performance Target Payments, together with the Further Payments to be made by the Company to the founding shareholders in exchange for the 49% equity interests in the Target Company held by them, constituted an equity-settled share-based payment transactions, under which share-based compensation were granted by the Company to employees of PTXB, who are also the founding shareholders of PTXB, on the completion date of the acquisition and will be vested subject to the fulfilment of the First and Second Performance Targets and the Guaranteed Profits.

The fair value of the share-based compensation is measured at the grant date and is recognized as an employee benefits expense with a corresponding increase in equity in the other reserves. The total expense is recognized over the vesting period, which is the period over which all vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity in the other reserves.

The Group has assessed that the First Performance Target is probable to achieve while the probability to fulfil the Second Performance Target and Guaranteed Profits is low as at 31 December 2021.

During the year ended 31 December 2021, share-based compensation expenses of HK$29,013,000 was recognized in the consolidated income statement.

During the year ended 31 December 2021, there were no cancellation nor forfeiture of the Performance Target Payments or the Further Payments, and none of these share-based compensation were vested.

On 20 December 2021, a set of corporate restructuring agreements were entered into by the relevant parties. Accordingly, the Company no longer owned the legal direct or indirect ownership in the Target Company. Instead, under certain contractual agreements (including a power of attorney agreement, loan agreement, equity option agreement, equity interest pledge agreement and an exclusive technical consulting and service agreement) entered into with the direct or ultimate registered owners of the Target Company, the Company, through its indirectly wholly owned subsidiary, controls the Target Group by way of controlling the voting rights, governing the financial and operating policies, appointing or removing the majority of the members of its controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of the Target Group to the Company and/or its indirectly owned subsidiaries. As a result, the Target Group are still treated as subsidiaries of the Company and their financial statements have still been consolidated by the Company with no change in substance.

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Assets		
Non-current assets		
Investment in subsidiaries	**39,010**	–
Investment in associates	**279,445**	255,285
Financial asset at fair value through profit or loss	**–**	474
Loans advanced to subsidiaries	**–**	441,658
	318,455	697,417
Current assets		
Loans advanced to subsidiaries	**412,205**	48,000
Prepayments, deposits and other receivables	**1,192**	2,030
Financial asset at fair value through profit or loss	**1,428**	–
Cash and cash equivalents	**5,922**	40,605
	420,747	90,635
Total assets	**739,202**	788,052
Equity and liabilities		
Equity		
Share capital	**269,962**	269,962
Reserves (Note (a))	**466,854**	512,915
Total equity	**736,816**	782,877
Liabilities		
Current liabilities		
Other payables and accrued liabilities	**2,386**	5,175
Total liabilities	**2,386**	5,175
Total equity and liabilities	**739,202**	788,052

The balance sheet of the Company was approved by the Board of Directors on 31 March 2022 and were signed on its behalf.

YUEN Hoi Po	**CHENG Wu**
Director	*Director*

34 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	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
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
At 1 January 2021	**1,213,484**	**1,206**	**–**	**(701,775)**	**512,915**
Loss for the year	**–**	**–**	**–**	**(72,900)**	**(72,900)**
Contribution by and distribution to owners of the Company recognised directly in equity:					
Share-based compensation	**–**	**–**	**26,839**	**–**	**26,839**
At 31 December 2021	**1,213,484**	**1,206**	**26,839**	**(774,675)**	**466,854**

35 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 2021 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 (Note ii)	–	–	–	–	–	–	–
Directors							
Mr. CHENG Wu	–	–	–	–	–	–	–
Mr. YUEN Hoi Po	–	–	–	–	–	–	–
Dr. WONG Yau Kar David	240	–	–	–	–	–	240
Mr. YUEN Kin	240	–	–	–	–	–	240
Mr. CHU Yuguo	240	–	–	–	–	–	240
	720	–	–	–	–	–	720

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 (Note ii)	–	–	–	–	–	–	–
Directors							
Mr. CHENG Wu	–	–	–	–	–	–	–
Mr. WANG Zhonglei (Note i)	–	–	–	–	–	–	–
Mr. HU Junyi (Note i)	–	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

Note:

(i) Resigned on 26 November 2020

(ii) Resigned on 30 March 2021

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2021 (2020: Nil).

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

During the year ended 31 December 2021, the Company does not pay consideration to any third parties for making available directors' services (2020: 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 2021, 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 (2020: 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 2021 or at any time during the year then ended (2020: Nil).

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists out the subsidiaries of the Company as at 31 December 2021 and 2020 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 2021	Interest held 2020	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
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
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

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Particulars issued share capital/ registered capital	Interest held 2021	Interest held 2020	Principal activities and place of operation
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
Maximum Gains Ventures Limited (1)	Cayman Islands, limited company	HK$10	**51%**	–	Investment Holding
騰海健康有限公司 Robust Ocean Limited	Hong Kong, limited company	HK$1 ordinary	**51%**	100%	Investment holding
北京騰海博業健康科技有限公司 Beijing Tenghai Boye Health Technology Co., Ltd (3)	PRC, limited liability company	RMB20,000	**51%**	–	Investment Holding
柏海投資有限公司 Prowess Investment Limited (1)	Hong Kong, limited company	HK$1	**100%**	–	Investment Holding
平潭心伴門診部有限公司 Pingtan Xinban Clinic Company Limited (3)(4)	PRC, limited liability company	RMB73,490,196	**51%**	–	Provision of medical services
陝西醫智諾信息科技有限公司 Shaanxi Yizhinuo Information Technology Co., Ltd (3)(4)	PRC, limited liability company	RMB30,714,700	**51%**	–	Operation of "Yizhinuo" platform for online prescription, circulation and marketing of pharmaceutical products
海南德鑫科技有限公司 Hainan Dexin Technology Co., Ltd (3)(4)	PRC, limited liability company	RMB2,000,000	**51%**	–	Inactive

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Particulars issued share capital/ registered capital	Interest held 2021	Interest held 2020	Principal activities and place of operation
山西醫智諾信息技術有限公司 Shanxi Yizhinuo Information Technology Co., Ltd (3)(4)	PRC, limited liability company	RMB1,000,000	26%	–	Operation of "Yizhinuo" platform for online prescription, circulation and marketing of pharmaceutical products
河南醫智諾信息科技有限公司 Henan Yizhinuo Information Technology Co., Ltd (3)(4)	PRC, limited liability company	RMB10,000,000	26%	–	Operation of "Yizhinuo" platform for online prescription, circulation and marketing of pharmaceutical products
河南醫韻諾信息科技有限公司 Henan Medical Yunnuo Information Technology Co., Ltd (3)(4)	PRC, limited liability company	RMB1,000,000	26%	–	Operation of "Yizhinuo" platform for online prescription, circulation and marketing of pharmaceutical products
廣州醫智諾信息科技有限公司 Guangzhou Yizhinuo Information Technology Co., Ltd (3)(4)	PRC, limited liability company	RMB1,000,000	26%	–	Operation of "Yizhinuo" platform for online prescription, circulation and marketing of pharmaceutical products
Meerkat Health Holdings Limited (1)	Cayman Islands, limited company	HK$200	60%	–	Investment Holding

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Particulars issued share capital/ registered capital	Interest held 2021	Interest held 2020	Principal activities and place of operation
柏悦健康有限公司 Heartily Health Limited (2)	Hong Kong, limited company	HK$1	60%	–	Investment Holding
杭州悦響健康科技有限公司 Hangzhou Yuexiang Health Technology Co., Ltd (3)	PRC, limited liability company	RMB50,000,000	60%	–	Investment holding and provision of management services for group companies
杭州火烈鳥醫藥有限公司 Hangzhou Flamingo Pharmaceutical Co., Ltd (3)	PRC, limited liability company	RMB20,000,000	60%	–	Trading and supply chain management of pharmaceutical products
杭州猛獁象健康管理有限公司 Hangzhou Mammoth Health Management Co., Ltd (3)	PRC, limited liability company	RMB10,000,000	60%	–	Operation of platform for medical and healthcare services
安徽火烈鳥醫藥有限公司 Anhui Flamingo Pharmaceutical Co., Ltd (3)	PRC, limited liability company	RMB20,000,000	60%	–	Trading and supply chain management of pharmaceutical products
杭州獴哥健康科技有限公司 Hangzhou Meerkat Health Technology Co., Ltd (3)(4)	PRC, limited liability company	RMB20,000,000	60%	–	Investment holding and provision of management services for group companies
杭州白鰭豚信息科技有限公司 Hangzhou Baiji Dolphin Information Technology Co., Ltd (3)(4)	PRC, limited liability company	RMB1,000,000	60%	–	Information technology and system development
杭州五吉熊信息技術服務有限公司 Hangzhou Wujixiong Information Technology Service Co., Ltd (3)(4)	PRC, limited liability company	RMB10,000,000	60%	–	Information technology and system development

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(1) Shares held directly by the Company.

(2) The statutory financial statements of these companies for the year ended 31 December 2021 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.

(4) The Company does not have legal direct or indirect ownership in the equity of these entities. However, under certain contractual agreements (including a power of attorney agreement, loan agreement, equity option agreement, equity interest pledge agreement and an exclusive technical consulting and service agreement) entered into with the direct or ultimate registered owners of these entities, the Company, through its indirectly wholly owned subsidiary, controls these entities by way of controlling the voting rights, governing the financial and operating policies, appointing or removing the majority of the members of its controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these entities to the Company and/or its indirectly owned subsidiaries. As a result, these entities are treated as subsidiaries of the Company and their financial statements have been consolidated by the Company.

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.

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000 (Restated)
Revenue – continuing operations	**327,713**	111,055	99,326	109,168	167,666
Loss before finance costs and taxation – continuing operations	**(139,565)**	(57,340)	(27,384)	(66,314)	(140,733)
Finance (costs)/income, net – continuing operations	**(2,280)**	1,172	(601)	(11)	(26)
Loss before taxation – continuing operations	**(141,845)**	(56,168)	(27,985)	(66,325)	(140,759)
Taxation – continuing operations	**418**	(406)	(785)	(130)	(364)
Non-controlling interests – continuing operations	**31,025**	–	–	(571)	(1,405)
Loss from continuing operations attributable to the equity holders of the Company	**(110,402)**	(56,574)	(28,770)	(67,026)	(142,528)
Profit from discontinued operation attributable to the equity holders of the Company	**–**	–	–	140,763	38,859
(Loss)/profit attributable to the equity holders of the Company	**(110,402)**	(56,574)	(28,770)	73,737	(103,669)
Property, plant and equipment	**7,466**	1,765	3,736	6,276	7,059
Right-of-use assets	**61,914**	68,165	20,536	–	–
Film rights and films production in progress	**116,949**	363,524	252,750	129,528	212,853
Intangible assets	**4,793**	–	–	–	5
Goodwill	**30,397**	–	–	–	–
Interest in associates	**261,072**	263,297	278,250	275,982	177,619
Available-for-sale financial assets	**–**	–	–	–	18,971
Financial asset at fair value through profit or loss	**–**	474	4,112	5,973	–
Other non-current assets	**1,803**	18,486	739	16,200	53,799
Current assets	**426,806**	165,063	655,685	446,905	437,559
Total assets	**911,200**	880,774	1,215,808	880,864	907,865
Current liabilities	**241,253**	100,624	379,643	11,790	16,594
Non-current liabilities	**11,047**	3,558	2,955	282	15,313
Total liabilities	**252,300**	104,182	382,598	12,072	31,907
Net assets	**658,900**	776,592	833,210	868,792	875,958