H.BROTHERS ENTERTAINMENT

華誼騰訊娛樂

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: 419)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHT

	2021 **HK$'000**	2020 HK$'000	Change %
Total revenue:			
— Online prescription, circulation and marketing of pharmaceutical products ("Echartnow Platform")	**36,150**	–	N/A
— Internet healthcare management platform ("Meerkat Health 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%
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%

- In April 2021, the Group has acquired "Echartnow", a new retail platform for 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". Revenue arising from "Echartnow" by the end of year 2021 had already exceeded HK$36 million (2020: nil).
- 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 year 2021 had already exceeded HK$22 million (2020: nil).
- Revenue from the "Entertainment and Media" segment surged by approximately 10 times to approximately HK$155 million (2020: HK$14 million), 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.

The board of directors (the "Board") of Huayi Tencent Entertainment Company Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Revenue	3	**323,809**	97,885
Film investment income	3	**1,912**	8,177
Interest revenue calculated using the effective interest method	3	**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	3	**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	5	**(2,280)**	1,172
Share of results of an associate	15(a)	**(4,933)**	2,504
Provision for impairment of interest in an associate	15(a)	**–**	(25,761)
Loss before taxation	6	**(141,845)**	(56,168)
Taxation	7	**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	8	**(0.82)**	(0.42)

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)

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Notes	As at 31 December 2021 HK$'000	2020 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	10	**7,466**	1,765
Right-of-use assets	11	**61,914**	68,165
Film rights and films production in progress	12	**116,949**	363,524
Intangible assets	13	**4,793**	–
Goodwill	14	**30,397**	–
Interest in associates	15	**261,072**	263,297
Financial asset at fair value through profit or loss	16	**–**	474
Prepayments, deposits and other receivables	19	**1,803**	18,486
		484,394	715,711
Current assets			
Inventories	20	**2,272**	–
Trade receivables	17	**63,327**	–
Programmes and films production in progress	18	**–**	44,832
Prepayments, deposits and other receivables	19	**211,227**	6,394
Financial asset at fair value through profit or loss	16	**1,428**	–
Cash and cash equivalents	21	**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	24	**269,962**	269,962
Reserves	25	**385,391**	506,630
		655,353	776,592
Non-controlling interests		**3,547**	–
Total equity		**658,900**	776,592

		As at 31 December	
		2021	2020
	Notes	**HK$'000**	HK$'000
Liabilities			
Non-current liabilities			
Lease liabilities	11	**10,036**	2,016
Deferred income tax liabilities		**1,011**	1,542
		11,047	3,558
Current liabilities			
Trade payables	22	**29,291**	–
Other payables and accrued liabilities	23	**89,135**	34,891
Contract liabilities	23	**80,670**	–
Lease liabilities	11	**42,157**	65,733
		241,253	100,624
Total liabilities		**252,300**	104,182
Total equity and liabilities		**911,200**	880,774

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		**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	28	**(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		**(1,197)**	(45,009)
Decrease in pledged bank deposits		**–**	49,664
Principal elements of lease payments		**(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	21	**148,552**	113,837

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 15 (a))	–	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 15 (a))	**–**	**(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 28)	**–**	**–**	**–**	**–**	**16,347**	**16,347**
Balance at 31 December 2021	**269,962**	**2,050,314**	**(1,664,923)**	**655,353**	**3,547**	**658,900**

Notes:

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. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the 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 the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) 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.

(b) New standards, amendments and conceptual framework 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.

3. 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	2020
	HK$'000	HK$'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 gain, net	**2,003**	5,289
Others	**286**	644
	15,388	9,890

4. 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); and (ii) Internet healthcare management platform (Meerkat Health Platform). Therefore, the management committee has currently determined that the Group is organized 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).

(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)**

	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**

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)

	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

(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	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'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 interest 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.

5. FINANCE (COSTS)/INCOME, NET

	2021	2020
	HK$'000	HK$'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 11)	**(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

6. 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 10)	**916**	3,516
Depreciation of right-of-use assets (Note 11)	**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 11)	**4,582**	97
Provision for impairment of		
– Right-of-use assets (Note 11)	**–**	11,095
– Interest in an associate (Note 15(a))	**–**	25,761
– Film rights and films production in progress (Note 12)	**3,393**	1,138
Net provision for/(reversal of) impairment of financial assets		
– Programmes and films production in progress (Note 18)	**(25)**	(137)
– Trade receivables (Note 17)	**193**	–
– Deposits and other receivables (Note 19)	**1,707**	–
Amortization of completed film rights (Note 12)	**138,596**	–
Amortization of intangible assets (Note 13)	**35**	–
Costs of online prescription, circulation and marketing of pharmaceutical products	**21,513**	–
Costs of inventories sold (Note 20)	**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	***720***	*720*
Wages and salaries	***26,384***	*16,505*
Contributions to defined contribution pension schemes	***2,658***	*1,230*
Share-based compensation expenses	***29,013***	–
	58,775	18,455

7. 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)

8. 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).

9. DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2021 (2020: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Machinery and equipment HK$'000	Furniture, computer and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2020						
Opening net book amount	214	960	963	–	1,599	3,736
Additions	–	542	807	–	30	1,379
Disposal	–	–	(3)	–	(1)	(4)
Depreciation (Note 6)	(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 28)	**–**	**–**	**–**	**152**	**–**	**152**
Disposal	**–**	**(1)**	**(38)**	**–**	**(36)**	**(75)**
Depreciation (Note 6)	**–**	**(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.

11. LEASES

(i) Amounts recognized in the consolidated balance sheet

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

	2021	2020
	HK$'000	HK$'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).

(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
	6	**28,784**	27,564
Interest expense (included in finance costs)	5	**2,270**	3,644
Expense relating to short-term leases (included in administrative expenses)	6	**4,582**	97
Provision for impairment (Note a)	6	**–**	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.

(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 11(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.

12. 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 6)	(1,138)	–	–	(1,138)
Exchange difference	(11)	685	1,344	2,018
Closing net book amount	–	341,217	22,307	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 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 6)	**(138,596)**	**–**	**–**	**(138,596)**
Impairment (Note 6)	**–**	**(3,393)**	**–**	**(3,393)**
Return of investment	**–**	**(4,269)**	**–**	**(4,269)**
Exchange difference	**(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.

13. INTANGIBLE ASSETS

	Licenses and softwares	
	2021	2020
	HK$'000	HK$'000
As at 1 January	**–**	–
Additions	**4,829**	–
Amortization (Note 6)	**(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.

14. GOODWILL

	2021	2020
	HK$'000	HK$'000
Cost and net carrying amount as at 1 January	**–**	–
Acquisition of subsidiaries (Note 28)	**30,863**	–
Exchange difference	**(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 of 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.

15. INTEREST IN ASSOCIATES

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Interest in HB Entertainment Co., Ltd.	**236,912**	263,297
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 interest in associates, and there are no contingent liabilities of the associates themselves.

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

Name	Place of establishment and kind of legal entity	% of ownership interest 2021	% of ownership interest 2020	Principal activities and place of operation
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

(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 interest	**10,348**	5,723
Net assets attributable to the equity holders	**203,875**	239,002

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 6)	**–**	(25,761)
Exchange differences	**(21,452)**	8,304
At 31 December	**236,912**	263,297

Reconciliation of summarized financial information

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

	2021	2020
	HK$'000	HK$'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.

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.

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 interest	**(82,808)**
Net assets attributable to the equity holders	**94,186**

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**

16. 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.

(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.

17. 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.

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 6)	**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.

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	–

18. PROGRAMMES AND FILMS PRODUCTIONS 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	**25**	137
Transfer to other receivables	**(23,559)**	–
Exchange difference	**634**	1,897
At 31 December	**–**	44,832

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%.

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.

19. 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

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 balance of prepayments, deposits and other receivables during the year ended 31 December 2021 was 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 films 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	2020
	HK$'000	HK$'000
At 1 January	**23,097**	23,198
Provision for impairment (Note 6)	**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	2020
	HK$'000	HK$'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.

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

20. 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 expenses 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.

21. 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.

22. TRADE PAYABLES

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

	2021	2020
	HK$'000	HK$'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.

23. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUED LIABILITIES

	As at 31 December	
	2021	2020
	HK$'000	HK$'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 balance during the year ended 31 December 2021 was 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.

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

24. 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.

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.

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.

25. 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

	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.

26. COMMITMENTS

Investment commitments

As at 31 December 2021, 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

27. 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.

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
Other receivables		
– Huayi Brothers Films 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.

28. 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 interest	**(16,347)**
	17,014
Goodwill (Note 14)	**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)**

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.

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 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 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 those 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.

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.

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.

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
- 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 results announcement, “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.

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.

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.

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.

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.

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.

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").

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.

(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.

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.

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

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

	2021	2020	Change
	HK$'000	HK$'000	%
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%

— **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.

— **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.

— **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).

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.

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.

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.

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.

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.

COMPLIANCE WITH 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 deviations from code provisions A.2.1 and E.1.2 as explained below.

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.

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 held in year 2021, together with the chairmen of the audit, remuneration, nomination and any other committees to ensure an effective communication with the Shareholders thereat.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-executive Directors who possess the appropriate business and financial experience and skills to understand financial statements. Mr. YUEN Kin is the chairman of Audit Committee and the other two members of the committee are Dr. WONG Yau Kar David and Mr. CHU Yuguo. The Audit Committee of the Company has adopted terms of references which are in line with the CG Code.

The Audit Committee of the Company has reviewed the Group's annual results for the year ended 31 December 2021 and provided advice and comments thereon before presenting it to the Board for approval. The figures in respect of this results announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements of the year. The work performed by PricewaterhouseCoopers in this results announcement did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

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.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.huayitencent.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for 2021 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in due course.

APPRECIATION

The Board would like to take this opportunity to express gratitude to our employees for their diligence and dedication to the Group. We also thank our shareholders, customers, banks and business partners for their continuous support.

By Order of the Board
Huayi Tencent Entertainment Company Limited
YUEN Hoi Po
Executive Director and Chief Executive Officer

Hong Kong, 31 March 2022

As at the date of this announcement, the Board comprises:

Executive directors: Mr. CHENG Wu (Vice Chairman), Mr. YUEN Hoi Po (Chief Executive Officer)
Independent non-executive directors: Dr. WONG Yau Kar David, GBS, JP, Mr. YUEN Kin, Mr. CHU Yuguo