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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)

ANNOUNCEMENT OF INTERIM RESULTS

HIGHLIGHTS

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Continuing operations:		
Total revenue	64,419	61,359
Gross profit	28,073	33,137
(Loss)/profit before finance costs and income tax	(57,603)	26,926
(Loss)/profit before income tax	(57,803)	26,788
(Loss)/profit for the period	(58,643)	21,553
	=====	=====
Discontinued operations:		
Loss for the period	—	(21)
	=====	=====

- Huayi Brothers and Tencent have become the controlling shareholders of the Company upon completion of share subscriptions on 5 February 2016. Gross proceeds of HK\$547 million was raised through the share subscriptions.
- The Company has invested the whole of the proceeds from share subscriptions in a number of global movie projects. As of 30 June 2016, investments in film rights and programmes/film production in progress amounted to over HK\$600 million.
- In August 2016, the Company has completed the acquisition of minority interests in HB Entertainment, a Korean based entertainment company principally engaged in production of and investment in movies and TV drama series, and the provision of entertainer/artist management and agency services.

The board of directors (the “Board”) of Huayi Tencent Entertainment Company Limited (the “Company”) is pleased to present the condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015. The condensed consolidated interim results have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Continuing operations			
Revenue	4	64,419	61,359
Cost of sales		<u>(36,346)</u>	<u>(28,222)</u>
Gross profit		28,073	33,137
Other income and other (losses)/gains, net	5	(14,019)	196,130
Marketing and selling expenses		(2,649)	(14,248)
Administrative expenses		(69,008)	(175,629)
Share of results of joint ventures		<u>—</u>	<u>(12,464)</u>
		(57,603)	26,926
Finance costs, net	6	<u>(200)</u>	<u>(138)</u>
(Loss)/profit before income tax	7	(57,803)	26,788
Income tax expense	8	<u>(840)</u>	<u>(5,235)</u>
(Loss)/profit for the period from continuing operations		(58,643)	21,553
Discontinued operations			
Loss for the period from discontinued operations	17	<u>—</u>	<u>(21)</u>
(Loss)/profit for the period		<u>(58,643)</u>	<u>21,532</u>

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
<i>Note</i>		HK\$'000	HK\$'000
Attributable to:			
Equity holders of the Company			
	— continuing operations	(58,601)	26,260
	— discontinued operations	<u>—</u>	<u>(21)</u>
		(58,601)	26,239
Non-controlling interests			
	— continuing operations	<u>(42)</u>	<u>(4,707)</u>
		(58,643)	21,532
 (Loss)/earnings per share from continuing and discontinued operations attributable to equity holders of the Company			
	Basic (loss)/earnings per share	9	
	— From continuing operations	(0.48)	0.40
	— From discontinued operations	<u>—</u>	<u>—</u>
		(0.48)	0.40
	Diluted (loss)/earnings per share	9	
	— From continuing operations	(0.48)	0.39
	— From discontinued operations	<u>—</u>	<u>—</u>
		(0.48)	0.39

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
(Loss)/profit for the period	<u>(58,643)</u>	<u>21,532</u>
Other comprehensive income:		
Item that may be reclassified to profit or loss		
— Currency translation differences	<u>6,559</u>	<u>452</u>
Other comprehensive income for the period, net of tax	<u>6,559</u>	<u>452</u>
Total comprehensive (loss)/income for the period	<u>(52,084)</u>	<u>21,984</u>
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company arising from:		
— continuing operations	(52,091)	26,712
— discontinued operations	—	(21)
Non-controlling interests	<u>7</u>	<u>(4,707)</u>
	<u>(52,084)</u>	<u>21,984</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2016

		30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
	<i>Note</i>		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	17,180	15,734
Film rights and film production in progress	12	559,647	23,872
Other intangible assets		13	15
Interests in joint ventures	13	—	179
Deferred income tax assets		2,110	2,012
Prepayments, deposits and other receivables		76,461	86,628
		<hr/> 655,411 <hr/>	<hr/> 128,440 <hr/>
CURRENT ASSETS			
Trade receivables	14	96	400
Inventories		7,413	7,595
Amount due from a joint venture	13	161,065	165,535
Programmes and film production in progress		51,611	50,271
Financial assets at fair value through profit or loss		—	13,900
Prepayments, deposits and other receivables		42,094	28,483
Cash and cash equivalents		245,480	280,400
		<hr/> 507,759 <hr/>	<hr/> 546,584 <hr/>
Total assets		<hr/> 1,163,170 <hr/>	<hr/> 675,024 <hr/>

		30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
	<i>Note</i>		
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	269,962	133,210
Reserves		804,167	446,001
		<u>1,074,129</u>	<u>579,211</u>
Non-controlling interests		(2,349)	(2,356)
		<u>1,071,780</u>	<u>576,855</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Other payables		13,386	11,509
Deferred income tax liabilities		864	707
		<u>14,250</u>	<u>12,216</u>
CURRENT LIABILITIES			
Trade payables	15	4,126	3,920
Receipt in advance, other payables and accrued liabilities		15,636	24,655
Current income tax liabilities		57,378	57,378
		<u>77,140</u>	<u>85,953</u>
TOTAL LIABILITIES		91,390	98,169
TOTAL EQUITY AND LIABILITIES		1,163,170	675,024

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash used in operating activities	(49,241)	(105,127)
Cash flows from investing activities		
Bank interest received	694	929
Disposals of investment securities	9,200	305,439
Purchase of property, plant and equipment	(5,712)	(28,724)
Disposals of property, plant and equipment	50	6
Purchase of film rights and film production in progress	(536,250)	—
Repayment received from a joint venture	1,190	—
Proceeds from disposal of a joint venture	182	—
Net cash used in disposals of subsidiaries	(7)	—
Net cash (used in)/generated from investing activities	(530,653)	277,650
Cash flows from financing activities		
Proceeds from issuance of shares on exercise of share options	—	11,600
Proceeds from issuance of subscription shares	547,009	—
Dividend paid	(1,701)	—
Net cash generated from financing activities	545,308	11,600
(Decrease)/increase in cash and cash equivalents	(34,586)	184,123
Cash and cash equivalents at 1 January	280,400	243,734
Currency translation differences	(334)	(96)
Cash and cash equivalents at 30 June	245,480	427,761
Analysis of cash and cash equivalents:		
Cash and cash equivalents of the Group	245,480	379,220
Cash and cash equivalents included in disposal group classified as held for sale	—	48,541
	245,480	427,761

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

(Unaudited)

	Attributable to equity holders of the Company								
	Share capital	Share premium	Merger reserve	Capital redemption reserve	Currency translation reserve	Accumulated losses	Total	Non-Controlling Interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2016	133,210	803,227	860,640	1,206	80,723	(1,299,795)	579,211	(2,356)	576,855
Total comprehensive income/(loss) for the period	—	—	—	—	6,510	(58,601)	(52,091)	7	(52,084)
Transactions with owners in their capacity as owners:									
Issuance of subscription shares	136,752	410,257	—	—	—	—	547,009	—	547,009
Balance at 30 June 2016	<u>269,962</u>	<u>1,213,484</u>	<u>860,640</u>	<u>1,206</u>	<u>87,233</u>	<u>(1,358,396)</u>	<u>1,074,129</u>	<u>(2,349)</u>	<u>1,071,780</u>

(Unaudited)

	Attributable to equity holders of the Company										
	Share capital	Share premium	Merger reserve	Equity component of convertible notes	Share option reserve	Capital redemption reserve	Currency translation reserve	Accumulated losses	Total	Non-Controlling Interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2015	1,311,981	1,825,800	860,640	10,139	16,267	1,206	111,338	(1,843,924)	2,293,447	927	2,294,374
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	452	26,239	26,691	(4,707)	21,984
Transactions with owners in their capacity as owners:											
Issuance of shares upon exercise of share options	11,600	4,159	—	—	(4,159)	—	—	—	11,600	—	11,600
Issuance of shares upon conversion of convertible notes	2,400	1,048	—	(1,159)	—	—	—	—	2,289	—	2,289
Balance at 30 June 2015	<u>1,325,981</u>	<u>1,831,007</u>	<u>860,640</u>	<u>8,980</u>	<u>12,108</u>	<u>1,206</u>	<u>111,790</u>	<u>(1,817,685)</u>	<u>2,334,027</u>	<u>(3,780)</u>	<u>2,330,247</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Huayi Tencent Entertainment Company Limited (formerly known as “China Jiu hao Health Industry Corporation Limited”) (the “Company”) and its subsidiaries (together, the “Group”) is principally engaged in (i) entertainment and media business; and (ii) provision of online and offline healthcare and wellness services.

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

Pursuant to a special resolution passed at an extraordinary general meeting on 22 April 2016, the Company changed its English name from “China Jiu hao Health Industry Corporation Limited” to “Huayi Tencent Entertainment Company Limited” and the dual foreign name in Chinese from “中國9號健康產業有限公司” to “華誼騰訊娛樂有限公司”. The new names have also been registered with the Registrar of Companies in Hong Kong on 6 May 2016. The Company’s stock short name has been changed from “JIUHAO HEALTH” to “HUAYI TENCENT”.

The Company is listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousand Hong Kong dollars (HK\$’000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 26 August 2016.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2016.

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax expected for the full financial year.

(a) *New, revised and amended standards and interpretations to existing standards effective in 2016 adopted by the Group*

The Group has adopted the following new, revised and amended standards and interpretations to existing standards ("new HKFRSs") that have been issued and are effective for the Group's accounting period beginning on 1 January 2016:

Annual Improvements Project HKAS 1 (Amendment) HKAS 16 and HKAS 38 (Amendment) HKAS 16 and HKAS 41 (Amendment) HKAS 27 (Amendment)	Annual Improvements 2012–2014 Cycle Disclosure Initiative Clarification of Acceptable Methods of Depreciation and Amortisation Agriculture: Bearer Plants Equity Method in Separate Financial Statements
HKFRS 10 and HKFRS 12 and HKAS 28 (Amendments) HKFRS 11 (Amendment)	Investment Entities: Applying the Consolidation Exception Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The adoption of the above new HKFRSs did not result in substantial changes to the accounting policies of the Group and had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

- (b) *New, revised and amended standards and interpretations to existing standards that are not effective in 2016 and have not been early adopted by the Group*

The following new, revised and amended standards and interpretations to existing standards have been issued, but are not effective for the financial period beginning 1 January 2016 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group has commenced an assessment of the impact of these new, amended and revised HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

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.

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

There are no sales between the operating segments in the period (2015: Nil).

(a) **Business segment**

The segment results for the six months ended 30 June 2016 are as follows:

	Entertainment and Media (Unaudited) HK\$'000	Online Healthcare Service (Unaudited) HK\$'000	Offline Healthcare and Wellness Services (Unaudited) HK\$'000	Total Continuing Operations (Unaudited) HK\$'000	Discontinued Operations: Offline Healthcare and Wellness Services-Beijing Healthcare and Wellness Si He Yuan and Hotel Project (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue	<u>2,363</u>	<u>4,024</u>	<u>58,032</u>	<u>64,419</u>	<u>—</u>	<u>64,419</u>
Segment results before provision for impairment	1,910	(7,955)	2,920	(3,125)	—	(3,125)
Provision for impairment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Segment results	<u>1,910</u>	<u>(7,955)</u>	<u>2,920</u>	<u>(3,125)</u>	<u>—</u>	<u>(3,125)</u>
Exchange losses, net				(12,232)	—	(12,232)
Unallocated expenses, net				<u>(42,246)</u>	<u>—</u>	<u>(42,246)</u>
Finance costs, net				<u>(57,603)</u>	<u>—</u>	<u>(57,603)</u>
Loss before income tax				(57,803)	—	(57,803)
Taxation				<u>(840)</u>	<u>—</u>	<u>(840)</u>
Loss for the period				<u>(58,643)</u>	<u>—</u>	<u>(58,643)</u>
Non-controlling interests				<u>42</u>	<u>—</u>	<u>42</u>
Loss for the period attributable to equity holders of the Company				<u>(58,601)</u>	<u>—</u>	<u>(58,601)</u>

	Entertainment and Media (Unaudited) HK\$'000	Online Healthcare Service (Unaudited) HK\$'000	Offline Healthcare and Wellness Services (Unaudited) HK\$'000	Total Continuing Operations (Unaudited) HK\$'000	Discontinued Operations: Offline Healthcare and Wellness Services-Beijing Healthcare and Wellness Si He Yuan and Hotel Project (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment assets	678,262	17,386	111,790	807,438	—	807,438
Interests in a joint venture	161,065	—	—	161,065	—	161,065
Unallocated assets				194,667	—	194,667
Total assets				<u>1,163,170</u>	<u>—</u>	<u>1,163,170</u>
Segment liabilities	3,288	8,595	25,968	37,851	—	37,851
Unallocated liabilities				53,539	—	53,539
Total liabilities				<u>91,390</u>	<u>—</u>	<u>91,390</u>
Other information:						
Purchases of property, plant and equipment						
— Allocated	7	3,091	2,608	5,706	—	5,706
— Unallocated				6	—	6
Purchases of film rights and film production in progress	536,250	—	—	536,250	—	536,250
Depreciation						
— Allocated	157	1,428	1,429	3,014	—	3,014
— Unallocated				18	—	18
Amortization	<u>—</u>	<u>—</u>	<u>2</u>	<u>2</u>	<u>—</u>	<u>2</u>

The segment results for the six months ended 30 June 2015 are as follows:

	Entertainment and Media (Unaudited) HK\$'000	Online Healthcare Service (Unaudited) HK\$'000	Offline Healthcare and Wellness Services (Unaudited) HK\$'000	Total Continuing Operations (Unaudited) HK\$'000	Discontinued Operations: Offline Healthcare and Wellness Services-Beijing Healthcare and Wellness Si He Yuan and Hotel Project (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue	<u>7,575</u>	<u>693</u>	<u>53,091</u>	<u>61,359</u>	<u>—</u>	<u>61,359</u>
Segment results before provision for impairment	4,326	(22,231)	(5,098)	(23,003)	(28)	(23,031)
Provision for impairment	<u>(60,249)</u>	<u>(1,268)</u>	<u>(17,601)</u>	<u>(79,118)</u>	<u>—</u>	<u>(79,118)</u>
Segment results	<u>(55,923)</u>	<u>(23,499)</u>	<u>(22,699)</u>	(102,121)	(28)	(102,149)
Exchange gains, net				2,482	—	2,482
Unallocated income, net				<u>126,565</u>	<u>—</u>	<u>126,565</u>
Finance costs, net				26,926	(28)	26,898
				<u>(138)</u>	<u>—</u>	<u>(138)</u>
Profit/(loss) before income tax				26,788	(28)	26,760
Taxation				<u>(5,235)</u>	<u>7</u>	<u>(5,228)</u>
Profit/(loss) for the period				21,553	(21)	21,532
Non-controlling interests				<u>4,707</u>	<u>—</u>	<u>4,707</u>
Profit/(loss) for the period attributable to equity holders of the Company				<u>26,260</u>	<u>(21)</u>	<u>26,239</u>

	Entertainment and Media (Unaudited) <i>HK\$'000</i>	Online Healthcare Service (Unaudited) <i>HK\$'000</i>	Offline Healthcare and Wellness Services (Unaudited) <i>HK\$'000</i>	Total Continuing Operations (Unaudited) <i>HK\$'000</i>	Discontinued Operations: Offline Healthcare and Wellness Services-Beijing Healthcare and Wellness Si He Yuan and Hotel Project (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment assets	114,554	15,585	1,804,082	1,934,221	106,205	2,040,426
Interests in joint ventures	293,367	—	—	293,367	—	293,367
Goodwill	—	—	—	—	321,021	321,021
Unallocated assets				428,806	—	428,806
Total assets				2,656,394	427,226	3,083,620
Segment liabilities	3,352	2,846	551,902	558,100	102,480	660,580
Unallocated liabilities				92,793	—	92,793
Total liabilities				650,893	102,480	753,373
Other information:						
Purchases of property, plant and equipment						
— Allocated	57	44	8,845	8,946	26,892	35,838
— Unallocated				22	—	22
Purchases of film rights and film production in progress	25,357	—	—	25,357	—	25,357
Depreciation						
— Allocated	177	338	524	1,039	—	1,039
— Unallocated				102	—	102
Amortization	—	—	3	3	—	3

(b) Geographical segment

The segment results for the six months ended 30 June 2016 are as follows:

	PRC <i>HK\$'000</i>	HK <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>64,419</u>	<u>—</u>	<u>64,419</u>
Segment results	<u>(18,182)</u>	<u>(39,621)</u>	<u>(57,803)</u>
Segment assets	210,754	255,101	465,855
Interests in and amount due from a joint venture	161,065	—	161,065
Unallocated assets (<i>Note</i>)			<u>536,250</u>
Total assets			<u>1,163,170</u>
Segment liabilities	32,010	59,380	<u>91,390</u>
Total liabilities			<u>91,390</u>
Other information:			
Purchases of property, plant and equipment	5,705	7	5,712
Purchases of film rights and film production in progress (<i>Note</i>)			536,250
Depreciation	3,006	26	3,032
Amortization	<u>2</u>	<u>—</u>	<u>2</u>

Note: The unallocated assets represent film rights used and film production in progress to be used globally. No geographical allocation is applicable to these assets.

The segment results for the six months ended 30 June 2015 are as follows:

	PRC <i>HK\$'000</i>	HK <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>61,359</u>	<u>—</u>	<u>61,359</u>
Segment results	<u>(102,966)</u>	<u>129,726</u>	<u>26,760</u>
Segment assets	2,101,564	367,668	2,469,232
Goodwill	321,021	—	321,021
Interests in and amount due from joint ventures	293,367	—	<u>293,367</u>
Total assets			<u>3,083,620</u>
Segment liabilities	749,213	4,160	<u>753,373</u>
Total liabilities			<u>753,373</u>
Other information:			
Purchases of property, plant and equipment	35,838	22	35,860
Purchases of film rights and film production in progress	25,357	—	25,357
Depreciation	999	142	1,141
Amortization	<u>3</u>	<u>—</u>	<u>3</u>

5. OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	694	861
Realized (loss)/gain on financial assets at fair value through profit or loss, net	(4,700)	201,787
Unrealized loss on financial assets at fair value through profit or loss, net	—	(9,000)
Exchange (losses)/gains, net	(12,232)	2,482
Gains on disposals of subsidiaries and a joint venture	1,697	—
Miscellaneous	522	—
	<u>(14,019)</u>	<u>196,130</u>

6. FINANCE COSTS, NET

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Finance costs		
Notional non-cash interest on convertible notes	—	(1,221)
Imputed finance cost on discounting non-current rental deposit paid	(313)	(1,492)
	<u>(313)</u>	<u>(2,713)</u>
Less: Amounts capitalized as the cost of qualifying assets (i)	—	1,221
	<u>(313)</u>	<u>(1,492)</u>
Finance income		
Imputed finance income on discounting non-current rental deposits received	113	1,354
	<u>113</u>	<u>1,354</u>
Finance costs, net	<u>(200)</u>	<u>(138)</u>

- (i) Finance costs on the convertible notes capitalized were borrowing costs attributable to the construction of the “Beijing Healthcare and Wellness Si He Yuan and Hotel”.

7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is stated after charging the following:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Depreciation of property, plant and equipment (Note 11)	3,032	1,141
Amortization of intangible assets	2	3
Provision for impairment of:		
— Interest in a joint venture	—	47,000
— Prepayments	—	22,673
— Amount due from a subsidiary of a joint venture	—	9,445
Employee benefit expenses:		
Directors' fees	300	400
Wages and salaries	9,761	30,365
Contributions to defined contribution pension schemes	1,074	3,278
	11,135	34,043

8. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as there was no assessable profit from Hong Kong for the period (2015: Nil). PRC corporate income tax has been provided for at the rate of 25% (2015: 25%) on the estimated assessable profit for the period accordingly.

	Six months ended 30 June	
	2016 (Unaudited) <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>
Current income tax		
— Hong Kong profits tax	—	—
— PRC corporate income tax	(808)	13,897
Deferred income tax	(32)	(19,132)
	<hr/>	<hr/>
Income tax expense	(840)	(5,235)
	<hr/> <hr/>	<hr/> <hr/>

The weighted average applicable tax rate for the six months ended 30 June 2016 was 18.3% (2015: 16.4%).

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue (<i>thousands</i>)	12,183,180	6,573,846
(Loss)/profit from continuing operations attributable to equity holders of the Company (<i>HK\$'000</i>)	(58,601)	26,260
Basic (loss)/earnings per share from continuing operations attributable to equity holders of the Company (<i>HK cents per share</i>)	<u><u>(0.48)</u></u>	<u><u>0.40</u></u>
Loss from discontinued operations attributable to equity holders of the Company (<i>HK\$'000</i>)	—	(21)
Basic loss per share from discontinued operations attributable to equity holders of the Company (<i>HK cents per share</i>)	<u><u>—</u></u>	<u><u>—</u></u>
(Loss)/earnings per share attributable to equity holders of the Company (<i>HK cents per share</i>)	<u><u>(0.48)</u></u>	<u><u>0.40</u></u>

(b) **Diluted (loss)/earnings per share**

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 30 June 2016, the Company did not have any potential ordinary shares (2015: two categories of potential ordinary shares: convertible notes and share options). The convertible notes are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's share during the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue (<i>thousands</i>)	12,183,180	6,573,846
Adjustments for:		
— share options (<i>thousands</i>)	—	15,008
— convertible notes (<i>thousands</i>)	—	79,415
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	12,183,180	6,668,269
(Loss)/profit from continuing operations attributable to equity holders of the Company (<i>HK\$'000</i>)	(58,601)	26,260
Diluted (loss)/earnings per share from continuing operations attributable to equity holders of the Company (<i>HK cents per share</i>)	<u>(0.48)</u>	<u>0.39</u>

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Loss from discontinued operations attributable to equity holders of the Company (<i>HK\$'000</i>)	—	(21)
Diluted loss per share from discontinued operations attributable to equity holders of the Company (<i>HK cents per share</i>)	<u>—</u>	<u>—</u>
Diluted (loss)/earnings per share attributable to equity holders of the Company (<i>HK cents per share</i>)	<u>(0.48)</u>	<u>0.39</u>

10. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2016 (2015: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

Six months ended 30 June 2016

	Buildings (Unaudited) HK\$'000	Machinery and equipment (Unaudited) HK\$'000	Furniture, computer and equipment (Unaudited) HK\$'000	Leasehold improvements (Unaudited) HK\$'000	Motor vehicles (Unaudited) HK\$'000	Construction in progress (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Opening net book amount at 1 January 2016	678	6,140	1,239	6,654	1,023	—	15,734
Additions	—	3,076	891	378	1,367	—	5,712
Disposal	—	—	(46)	—	(167)	—	(213)
Disposals of subsidiaries	(671)	(2)	—	—	—	—	(673)
Depreciation	—	(1,233)	(313)	(1,431)	(55)	—	(3,032)
Exchange difference	(7)	(120)	(67)	(122)	(32)	—	(348)
Closing net book amount at 30 June 2016	<u>—</u>	<u>7,861</u>	<u>1,704</u>	<u>5,479</u>	<u>2,136</u>	<u>—</u>	<u>17,180</u>

Six months ended 30 June 2015

	Buildings (Unaudited) HK\$'000	Machinery and equipment (Unaudited) HK\$'000	Furniture, computer and equipment (Unaudited) HK\$'000	Leasehold improvements (Unaudited) HK\$'000	Motor vehicles (Unaudited) HK\$'000	Construction in progress (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Opening net book amount at 1 January 2015	745	33	1,992	546	1,614	4,583	9,513
Additions	—	—	134	8,142	—	692	8,968
Depreciation	(13)	(5)	(416)	(521)	(186)	—	(1,141)
Exchange difference	4	—	14	5	11	(1)	33
Closing net book amount at 30 June 2015	<u>736</u>	<u>28</u>	<u>1,724</u>	<u>8,172</u>	<u>1,439</u>	<u>5,274</u>	<u>17,373</u>

Depreciation expenses of approximately HK\$1,224,000 (2015: Nil) and HK\$1,808,000 (2015: HK\$1,141,000) have been charged in cost of sales and administrative expenses respectively.

During the six months ended 30 June 2016, the Group has not capitalized any borrowing costs (2015: HK\$1,221,000) and operating lease rentals (2015: HK\$5,975,000). Aggregated amount capitalized during the six months ended 30 June 2015 of approximately HK\$7,196,000 was included in assets of disposal group classified as held for sale.

12. FILM RIGHTS AND FILM PRODUCTION IN PROGRESS

Six months ended 30 June 2016

	Non-current assets		
	Film production		Total
	Film rights	in progress	
	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Opening net book amount			
at 1 January 2016	—	23,872	23,872
Additions	—	536,250	536,250
Transfers	171,292	(171,292)	—
Exchange difference	—	(475)	(475)
	<hr/>	<hr/>	<hr/>
Closing net book amount			
at 30 June 2016	171,292	388,355	559,647
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2016			
Cost	171,292	388,355	559,647
Accumulated amortization and impairment	—	—	—
	<hr/>	<hr/>	<hr/>
Net book amount	171,292	388,355	559,647
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Six months ended 30 June 2015

	Non-current assets		
	Film rights (Unaudited) <i>HK\$'000</i>	Film production in progress (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Opening net book amount at 1 January 2015	—	—	—
Additions	—	25,357	25,357
Exchange difference	—	4	4
	<hr/>	<hr/>	<hr/>
Closing net book amount at 30 June 2015	—	25,361	25,361
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2015			
Cost	—	25,361	25,361
Accumulated amortization and impairment	—	—	—
	<hr/>	<hr/>	<hr/>
Net book amount	—	25,361	25,361
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

No amortization of film rights and films production in progress (2015: Nil) has been charged in condensed consolidated interim income statement.

13. INTERESTS IN JOINT VENTURES AND AMOUNTS DUE FROM JOINT VENTURES AND SUBSIDIARIES OF A JOINT VENTURE

(a) Interests in joint ventures

	Joint ventures for entertainment and media business	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
At 1 January	179	62,823
Share of results	—	(12,464)
Provision for impairment loss (<i>Note 7</i>)	—	(47,000)
Disposal (<i>Note iii</i>)	(179)	—
Exchange differences	—	23
	<hr/>	<hr/>
At 30 June	—	3,382
	<hr/> <hr/>	<hr/> <hr/>

Set out below are the joint ventures of the Group as at 30 June 2016, which, in the opinion of the directors, are material to the Group. All these joint ventures are private companies and there is no quoted market price available for their shares. There are no contingent liabilities relating to the Group's interests in these joint ventures, and there are no contingent liabilities and commitments of these joint ventures themselves.

Name	Place of establishment and kind of legal entity	Registered capital	Percentage of equity interests attributable to the Group		Principal activities and place of operation
			2016	2015	

Joint ventures for media business

Asia Union Film and Media (“AUFM”) (i) (iv)	The PRC, limited liability company	RMB120,000,000	50%	50%	Investment in television drama, film production and advertising production in the PRC
Hainan Hailu Advertising Limited Liability Company (“HNHL”) (ii) (iv)	The PRC, limited liability company	RMB1,000,000	—	50%	Advertising agency, design and production in the PRC

- (i) Pursuant to the shareholders’ agreements, the Group and Poly Culture and Arts Co., Ltd. (“PCACL”), the joint venture partner, agreed that the Group maintains the joint control over AUFM but the profit sharing ratio of the Group in AUFM is 75%.
- (ii) On 29 July 2015, the Group disposed its 50% equity interests in HNHL to another joint venture partner of HNHL.
- (iii) On 15 January 2016, the Group disposed its 50% equity interests in Shanghai Aipu Huayi Advertising Company Limited (Note iv) to an independent third party.
- (iv) The names of the companies referred to above represent management’s best effort in translating the Chinese names of the companies as no English names for these companies have been registered.

(b) Amount due from a joint venture

As at 30 June 2016 and 31 December 2015, amount due from a joint venture is unsecured, interest-free and past due. It is expected to be settled within 12 months from the balance sheet date.

The recoverable amount of the amount due from a joint venture has been determined based on the fair value less costs to sell being the amount to be recovered through a sale transaction or the value-in-use calculation of the joint venture, whichever is appropriate.

As at 30 June 2016, no impairment of amount due from a joint venture was provided (2015: HK\$9,445,000).

14. TRADE AND OTHER RECEIVABLES

The majority of the Group's sales are on letter of credit or documents against payment. The remaining amounts are with credit terms of over 6 months and which are mostly covered by customers' standby letters of credit or bank guarantees. At 30 June 2016 and 31 December 2015, the aging analysis of the trade receivables based on invoice date were as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Trade receivables		
0–3 months	20	400
4–6 months	20	—
Over 6 months	<u>12,879</u>	<u>13,083</u>
Provision for doubtful debts	<u>(12,823)</u>	<u>(13,083)</u>
	<u>96</u>	<u>400</u>

15. TRADE PAYABLES

At 30 June 2016, the aging analysis of the trade payables based on invoice date were as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
0–3 months	1,492	1,413
4–6 months	—	2,438
Over 6 months	<u>2,634</u>	<u>69</u>
	<u>4,126</u>	<u>3,920</u>

16. SHARE CAPITAL

	Ordinary shares of HK\$0.02 each		Preference shares of HK\$0.01 each		Total HK\$'000
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000	
Authorized:					
At 30 June 2016 (Unaudited)					
(Note (a))	150,000,000	3,000,000	240,760	2,408	3,002,408
At 31 December 2015 (Audited)					
(Note (a))	150,000,000	3,000,000	240,760	2,408	3,002,408
At 1 January 2016	6,660,487	133,210	—	—	133,210
Issuance of subscription shares (Note (b))	6,837,620	136,752	—	—	136,752
At 30 June 2016 (Unaudited)	13,498,107	269,962	—	—	269,962
At 1 January 2015	6,559,904	1,311,981	—	—	1,311,981
Issuance of shares upon conversion of convertible notes	12,000	2,400	—	—	2,400
Issuance of shares upon exercise of share options	58,000	11,600	—	—	11,600
At 30 June 2015 (Unaudited)	6,629,904	1,325,981	—	—	1,325,981

Notes:

(a) Authorized share capital

The total number of authorized shares includes ordinary shares and preference shares. 150,000,000,000 shares (2015: 150,000,000,000 shares) are ordinary shares with par value of HK\$0.02 per share (2015: HK\$0.02). 240,760,000 shares (2015: 240,760,000 shares) are preference shares with par value of HK\$0.01 per share (2015: HK\$0.01).

(b) Subscription shares

On 5 February 2016, the Company completed the issuance and allotment of 6,837,619,860 subscription shares, representing 50.66% of the Company's enlarged share capital, at an issue price of HK\$0.08 per share subscribed for by a number of new investors ("Subscription"). The aggregate gross subscription consideration amounted to approximately HK\$547,010,000. Immediately after the Subscription, the Company has 13,498,106,577 ordinary shares in issue.

Out of the 6,837,619,860 subscription shares, 2,452,447,978 subscription shares, representing a shareholding percentage of approximately 18.17% of the Company's enlarged issued share capital, were subscribed for by Huayi Brothers International Limited ("Huayi Brothers"), a wholly-owned subsidiary of Huayi Brothers Media Corporation, and 2,116,251,467 subscription shares, representing a shareholding percentage of approximately 15.68% of the Company's enlarged issued share capital, were subscribed for by Mount Qinling Investment Limited ("Tencent"), a wholly-owned subsidiary of Tencent Holdings Limited. Huayi Brothers and Tencent are considered as parties acting in concert in connection with this Subscription.

The remaining subscription shares were subscribed for by Confidex Key Limited, Key Ability Limited, Lofty Rainbow Limited and Merit New Limited (together, "Other Investors"), representing a shareholding percentage of approximately 5.13%, 4.45%, 4.52% and 2.71% of the Company's enlarged issued share capital respectively.

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. Outstanding share options granted under the Terminated Option Scheme shall continue to be valid and exercisable. 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 a resolution passed on 22 April 2016, the Company can further 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 six months ended 30 June 2016, no share option (2015: Nil) have been granted under the New Option Scheme and no share-based payment expense (2015: Nil) has been charged to the condensed consolidated interim income statement.

During the six months ended 30 June 2016, no share options were granted, exercised, cancelled or lapsed, and there was no outstanding option under the Share Option Scheme as at 30 June 2016.

Movement of share options during the six months ended 30 June 2015 is as follows:

(Unaudited)

Tranche	Date of share options granted	Number of share options				Exercise Price HK\$	Vesting date	Expiry date
		Outstanding as at 1 January 2015	Exercised during the period	Outstanding as at 30 June 2015	Exercisable as at 30 June 2015			
1.	5 May 2008	1,042,459	—	1,042,459	1,042,459	2.58	1 April 2009	31 December 2015
2.	4 November 2008	26,582,706	—	26,582,706	26,582,706	0.86	From 8 March 2009 to 8 March 2011	31 December 2015
3.	15 June 2012	64,000,000	(58,000,000)	6,000,000	6,000,000	0.20	15 June 2012	14 June 2017
		<u>91,625,165</u>	<u>(58,000,000)</u>	<u>33,625,165</u>	<u>33,625,165</u>			

17. DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

For the six months ended 30 June 2015

On 11 December 2014, Unique Talent Group Limited (the “Vendor”), a wholly-owned subsidiary of the Company, the Company (as a guarantor) and an independent third party (the “Purchaser”) entered into a sales and purchase agreement (the “S&P Agreement”) (as amended and supplemented by a supplemental agreement dated 30 March 2015 entered into by parties to the S&P Agreement) pursuant to which (i) the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the entire shareholding interest in Smart Title Limited (the “Target Company”), a wholly-owned subsidiary of the Vendor; and (ii) the Group agreed to assign to the Purchaser the benefit and interest in a loan due from the Target Company to the Vendor of approximately HK\$1,076 million (the “Shareholder’s Loan”) upon completion of the transactions in accordance with the terms and conditions of the S&P Agreement (the “Completion”) free from encumbrances. The total consideration payable for the sale and purchase of the entire shareholding interest in the Target Company and the assignment of the Shareholder’s Loan is agreed at HK\$1,650 million in aggregate (the “Consideration”). The Consideration shall be settled as to (i) HK\$60 million of the Consideration which has been paid in cash by the Purchaser upon signing of the S&P Agreement as the refundable deposit and will be applied as partial payment of the Consideration upon Completion; (ii) on Completion, HK\$540 million of the Consideration which shall be paid in cash by the Purchaser; and (iii) on Completion, the Purchaser shall in accordance with the instructions of the Vendor issue to the Company the share entitlement note (“SEN”), which shall entitle the SEN holder the right to call for the issue of 1,500,000,000 new ordinary shares of HK\$0.01 each of the Purchaser at an issue price of HK\$0.70 per share.

The Group and the Purchaser will also enter into a club lease agreement (the “Club Lease Agreement”) pursuant to which the assets relevant to the operations of “Beijing Bayhood No. 9 Club” (the Purchaser will be entitled to the right to operate “Beijing Bayhood No. 9 Club” through its ownership in the Target Company upon Completion) will be leased to the Group for a term of twenty years (can be further extended to 31 December 2051 upon request by the Group) after Completion, and the Group will continue to operate the businesses of “Beijing Bayhood No. 9 Club” during the period. There are four rental periods during the term of 20 years of five years each. In addition, the Group has an option to early terminate the Club Lease Agreement by giving notice to the lessor at least six months prior to the expiry of each rental period.

The Target Company and its subsidiaries (the “Target Group”) is principally engaged in the provision of offline healthcare and wellness services through the management of “Beijing Bayhood No. 9 Club”, a membership-based luxury club which comprises of business hotel facilities, an 18-hole golf course, driving range facilities, theme restaurants and cafes, spa facilities, retail shops, and the first PGA branded and managed golf academy in Asia. “Beijing Bayhood No. 9 Club” is located near the city centre of Beijing, PRC. The major assets owned by the Target Group are i) the rights to construct and operate the club facilities of “Beijing Bayhood No. 9 Club” up to 31 December 2051; and ii) the rights to develop and operate a piece of 580 Chinese acre land adjacent to “Beijing Bayhood No. 9 Club” (the “Subject Land”) up to 30 January 2062. Construction of “Beijing Healthcare and Wellness Si He Yuan and Hotel” project with an approved total gross floor area of 80,000 square meters on the Subject Land is in progress.

The abovementioned transactions have not yet been completed as at the date of the interim result announcement for the six months ended 30 June 2015.

Assets of disposal group classified as held for sale:

	30 June 2015
	(Unaudited)
	<i>HK\$'000</i>
Property, plant and equipment	527,611
Intangible assets	1,590,114
Deferred tax assets	3,354
Inventories	8,570
Prepayments, deposits and other receivables	90,140
Cash and cash equivalents	48,541
	<hr/>
	2,268,330
	<hr/> <hr/>

Liabilities of disposal group classified as held for sale:

	30 June 2015 (Unaudited) <i>HK\$'000</i>
Trade payables	2,637
Receipt in advance, other payables and accrued liabilities	136,602
Deferred tax liabilities	342,139
Deferred revenue	92,940
Current income tax liabilities	75,080
	<hr/>
	649,398
	<hr/> <hr/>

The Group and the Purchaser also entered into a club lease agreement (the “Club Lease Agreement”) pursuant to which the assets relevant to the operations of “Beijing Bayhood No. 9 Club” (the Purchaser was entitled to the right to operate “Beijing Bayhood No. 9 Club” through its ownership in the Target Company) are leased to the Group for a term of twenty years (can be further extended to 31 December 2051 upon request by the Group) upon completion, and the Group continues to operate the businesses of “Beijing Bayhood No. 9 Club” during the period. There are four rental periods during the term of 20 years of five years each. In addition, the Group has an option to early terminate the Club Lease Agreement by giving notice to the lessor at least six months prior to the expiry of each rental period.

The disposal transaction was completed on 6 October 2015 (the “Completion Date”), and the Club Lease Agreement came into effect on the same date. The Group continues to operate “Beijing Bayhood No. 9 Club” pursuant to the Club Lease Agreement and account for it as a continuing operation.

Analysis of the results of discontinued operations in relation to offline healthcare and wellness services — Beijing Healthcare and Wellness Si He Yuan and Hotel project is as follows:

	Six months ended 30 June 2015 (Unaudited) <i>HK\$'000</i>
Other income and other gains, net	69
Administrative expenses	(97)
	<hr/>
Loss before income tax of discontinued operations	(28)
Income tax credit	7
	<hr/>
Loss for the period from discontinued operations attributable to the equity holders of the Company	<u><u>(21)</u></u>

Analysis of the cash flows of discontinued operations in relation to offline healthcare and wellness services — Beijing Healthcare and Wellness Si He Yuan and Hotel project is as follows:

	Six months ended 30 June 2015 (Unaudited) <i>HK\$'000</i>
Operating cash flows	(5,896)
Investing cash flows	(19,176)
Financing cash flows	—
	<hr/>
Total cash flows	<u><u>(25,072)</u></u>

18. COMMITMENTS

(a) Capital commitment

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Property, plant and equipment	<u>1,130</u>	<u>2,112</u>

(b) Operating lease commitment

(i) Lessor

The Group leases certain equipment and sub-leases certain commercial premises under non-cancellable operating lease agreements. Total commitments receivable under these operating lease agreements are analysed as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Not later than one year	23,864	34,775
Later than one year and not later than five years	111,060	111,060
Later than five years	<u>102,698</u>	<u>102,698</u>
	<u>237,622</u>	<u>248,533</u>

(ii) *Lessee*

At 30 June 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Not later than one year	20,294	21,894
Later than one year and not later than five years	80,452	80,536
Later than five years	106,923	118,089
	<u>207,669</u>	<u>220,519</u>

19. SUBSEQUENT EVENTS

On 23 March 2016, the Company, HB Entertainment Co., Ltd. (“HB Entertainment”), Ms. Bo Mi Moon (“Major Shareholder”) and HB Corporation entered into an investment agreement (“Investment Agreement”). Pursuant to the Investment Agreement:

- (a) the Company will subscribe for 23,334 convertible preferred stock at the subscription price of KRW14,042.4 million (equivalent to approximately HK\$92.7 million) (“CPS Subscription”); and
- (b) the Company will purchase 46,666 common stocks in HB Entertainment from the HB Entertainment, Major Shareholder and HB Corporation (i.e. 23,333 HB Shares from each of the HB Entertainment Major Shareholder and HB Corporation) at an aggregate Purchase Price of KRW28,084.8 million (equivalent to approximately HK\$185.4 million) (“Share Purchase”).

As of 16 August 2016, the Company has completed both the CPS Subscription and Share Purchase. The Company currently holds approximately 22% of equity interest in HB Entertainment, and the Company’s shareholdings in HB Entertainment will gradually increase to 30% by early 2018.

HB Entertainment is a Korean based entertainment company principally engaged in the production of and investment in movies and TV drama series, and the provision of entertainer/artist management and agency services. The Company considers that the investment would enable the Group to tap into the Korean media and entertainment market and exposure to more opportunities in investing in Korean cultural and media-related works such as Korean TV drama series, and in marketing and distribution (offline and online) of such Korean cultural and media-related works in China.

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors is pleased to present the Group's interim results and condensed consolidated interim financial information for the six months ended 30 June 2016. The unaudited condensed consolidated financial information for the six months ended 30 June 2016 has been reviewed by the Company's Audit Committee and the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

BUSINESS REVIEW AND PROSPECTS

Financial Performance

Major indicators of the financial results for the six months ended 30 June 2016 are summarized in the table below:

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations:		
Total revenue	64,419	61,359
Gross profit	28,073	33,137
(Loss)/profit before finance costs and income tax	(57,603)	26,926
(Loss)/profit before income tax	(57,803)	26,788
(Loss)/profit for the period	(58,643)	21,553
	<u><u> </u></u>	<u><u> </u></u>
Discontinued operations:		
Loss for the period	—	(21)
	<u><u> </u></u>	<u><u> </u></u>

	Segment Results			
	Sales Revenue		before provision for impairment	
	Six months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations				
Entertainment and Media	2,363	7,575	1,910	4,326
Online Healthcare Service	4,024	693	(7,955)	(22,231)
Offline Healthcare and Wellness Services	58,032	53,091	2,920	(5,098)
	<u>58,032</u>	<u>53,091</u>	<u>2,920</u>	<u>(5,098)</u>
Total	<u>64,419</u>	<u>61,359</u>	<u>(3,125)</u>	<u>(23,003)</u>

During the period under review, the Group's revenue recorded an increase of approximately 5%, mainly attributable to continued development of its offline healthcare and wellness services. However, the Group recorded a consolidated net loss of HK\$58.64 million during the period under review, primarily due to (i) a loss on financial assets at fair value through profit or loss of approximately HK\$4.70 million during the period; (ii) legal and professional fees of approximately HK\$26 million incurred for the share subscriptions that was completed on 5 February 2016, and such fees have already been fully settled; and (iii) currency exchange loss of approximately HK\$12.23 million, caused by the depreciation of Chinese Renminbi against Hong Kong dollars arising from the Group's healthcare and media business in the People's Republic of China ("China") during the period under review.

The Company completed its share subscription on 5 February 2016, upon which Huayi Brothers International Limited ("Huayi Brothers") and Mount Qinling Investment Limited ("Tencent") have become controlling shareholders of the Company. During the period under review, the Group actively sought for quality projects, as well as opportunities for direct merger and acquisition or collaboration with outstanding international entertainment companies by deploying resources from both substantial shareholders, with a view to investing in and carrying out online and offline cultural and new media operations domestically and internationally, and to expanding entertainment, cultural and media business in robust markets such as the U.S. and Korea. During the period under review, the Group invested over HK\$550 million in a number of global movie projects and proposed to acquire 30% equity interest in HB Entertainment Co., Ltd. ("HB Entertainment"), a Korean based company, at a consideration equivalent to approximately HK\$300 million (the acquisition was completed in August 2016).

In terms of its healthcare services, the Group provided one-stop O2O healthcare solutions in China during the period under review, which mainly comprised of operations of “Kangxun Xuetang”, a cloud-based healthcare service platform, and “Beijing Bayhood No. 9 Club”, a high-end healthcare and wellness centre. During the period under review, the operation of online and offline healthcare services generated a total revenue of approximately HK\$62.06 million, representing an approximately 15% increase comparing to the same period in prior year.

Business Review

Driven by household consumption, the movie industry was worth RMB100 billion in 2015, 63% of which was contributed by consumption. According to statistics from the Integrated Information Management System on National Movie Ticketing, China’s box office receipts reached RMB24.582 billion during the period under review, with 34.58 million screenings and an attendance of 723 million, reflecting a solid foundation for the Group to achieve its long-term goal of developing cultural and new media business.

Thanks to a significant growth in China’s box office receipts and the rapid development of movie production industry, China has become the second largest film market in the world, with animated film *Monster Hunt* and Hollywood production *Fast & Furious 7* being the second and third highest grossing films in China last year. According to *Global Entertainment and Media Outlook 2016–2020* issued by PricewaterhouseCoopers (PwC), China’s film and entertainment industry was forecast to grow at a Compound Annual Growth Rate (CAGR) of 19.1% over the next five years, well above the global figures of 5.97% over the same period. Meanwhile, the revenue of cinema advertising in China was set to reach US\$161 million by 2020, with a CAGR of 11.5%. PwC also stated in its report titled *China Entertainment and Media outlook: 2015–2019* that Chinese authority was expected to relax or eliminate its screen quota on foreign movies by 2017 or 2018, at which point China was likely to venture into a blooming era for its film and entertainment industry.

According to the latest figures in a quantitative report on global film markets for 2015 released by Motion Picture Association of America (MPAA), global box office receipts reached US\$38.3 billion in 2015, representing a year-on-year increase of 5%, among which US\$11.1 billion was contributed by North America, the largest film market in the world, and US\$27.2 billion by overseas markets. In 2015, box office of North America alone grossed US\$11.1 billion, being a year-on-year increase of 8%. Among which, 3D movies contributed US\$1.7 billion, representing a year-on-year increase of 20% and accounting for 15% of the total box office receipts.

As the single largest film market in the world, the U.S. has an abundance of experts, equipment and an established task-allocation system for film production. Not only have the ingenuity of US filmmakers and the magnificent scenes of their films won the hearts of global audience, recording ever increasing box office receipts, Hollywood productions are also particularly well received by the Chinese audience. Building on its shareholders' experience and influence in China's film industry, the Company aims to invest or engage in movie and TV programme productions in collaboration with master directors from Hollywood and top studios, and to gradually reserve quality resources in the form of overseas intellectual property (IP) rights, which are believed to be beneficial to the Company's success in building a comprehensive platform targeting global markets.

(1) *Entertainment and Media Operations*

The movie and entertainment industry is another fast-growing sector in the Chinese market. In order to seize opportunities arising from the rapid development in the Chinese film industry, the Group brought in Huayi Brothers and Tencent as its strategic shareholders in 2016. On one hand, Huayi Brothers has established channels for co-producing films and animations with Hollywood as well as investment; on the other hand, Tencent owns one of the most influential internet platforms across China; it is therefore expected that both parties would provide the Group with substantial resources to seize opportunities in the Golden Age of China's culture and entertainment industry. By bringing in its strategic shareholders, the Company received proceeds of approximately HK\$547 million from the share subscriptions, and the entire amount of which has been used to invest in ten film production projects in collaboration with China Lion Entertainment as well as *Rock Dog*, an original Sino-U.S. 3D animated comedy film.

During the period under review, the Group invested in *Rock Dog*, an original Sino-U.S. 3D animated comedy film directed by Ash Brannon, director of the well-known *Toy Story 2*. Being the only made-in-China animation nominated for "Best Animation" of "Golden Goblet" Awards at the Shanghai International Film Festival, *Rock Dog* was released in Mainland China in July 2016. In terms of the North American markets, the local premiere of *Rock Dog* is scheduled to be held by Summit Entertainment in February 2017, featuring over 2,000 screens. Summit Entertainment is an American film producer and distributor under Lions Gate Entertainment (NYSE: LGF), a top global independent distributor of films and television programmes. *Rock Dog* will make history as the first-ever Chinese made animated film to be massively distributed overseas.

During the period under review, the Group proposed to subscribe 23,334 convertible preferred stock of HB Entertainment at a subscription price of KRW14,042,400,000 (equivalent to approximately HK\$92,700,000) and purchase 46,666 shares of HB Entertainment from HB Entertainment’s major shareholders at an aggregate purchase price of KRW28,084,800,000 (equivalent to approximately HK\$185,400,000). The acquisition was completed on 16 August 2016, subsequent to which the Group held approximately 22.22% enlarged issued share capital of HB Entertainment, and the Company’s shareholdings in HB Entertainment will gradually increase to 30% by early 2018.

HB Entertainment is primarily engaged in the production and investment of films and TV dramas. Its new TV series *Cinderella and Four Knights* debuted on TVN in Korea and iQIYI in China simultaneously on 12 August 2016. Directed by Kwon Hyuk Chan (the director of *Master’s Sun*) and starring Korean famous actors such as Jung Il-woo, Ahn Jae-hyun and Park So-dam, *Cinderella and Four Knights* is another Korean TV production broadcasted simultaneously in China and Korea after *Descendants of the Sun*. Not only has this production departed from the “live-shoot” practice of common Korean dramas, thereby ensuring compliance with the policy of “censorship before broadcast” in China, it has also resolved the technical difficulty of synchronising subtitles, marking a precedent in establishing a no-lag streaming on any video website. Immediately after its debut the series has captured great attention from Korean audience, with a debut rating of 3.7% and hitting 4.3% as the highest among TV dramas during the same timeslot in Korean cable TV channels. Meanwhile, its debut on the Chinese video website iQIYI also enjoyed good ratings and reputation, recording a total of 35.78 million views and a rating of 8.2 during the first five days since its debut.

Following the business development pattern of our controlling shareholder Huayi Brothers, the Group commenced content investment and production during the period under review. The Group is in negotiation about collaborating with first-class directors, aiming to gradually built its own pool of quality IP resources. In addition, the Group focused on the development of overseas markets by adopting an approach centred around market demand; it also explored opportunities to develop film projects in collaboration with top directors from Hollywood or invest in TV dramas with renowned studios, with a view to laying a solid foundation to facilitate globalisation of the Group’s operations.

(2) *Online Healthcare Services*

Facing accelerated growth in China's ageing population as well as rising public demand for quality medical services, the market for China's online healthcare business has the potential for further growth. However, as even the industry leaders in this sector have yet to figure out a sustainable profit-making model, the entire sector is therefore still groping its way towards the right direction. During the period under review, while the Group's online healthcare business had taken up some market shares, its revenue, however, still failed to meet the Group's expectation. Revenue reported during the first half of 2016 amounted to approximately HK\$4.02 million, accounting for only 6.2% of the Group's total revenue; segment loss was approximately HK\$7.96 million.

During the period under review, in order to align with focused positioning of the Group's healthcare services, the Group's self-developed and operated cloud health management platform was renamed as "Kangxun Xuetaang". With diabetic patients as its main target, "Kangxun Xuetaang" enables users to log in using their Kangxun Xuetaang accounts via desktop and mobile phone browser or a mobile phone app available for both iOS and Android operating systems to collect health data, create health profiles, perform assessment on health conditions, and obtain targeted and customised solutions to health management. In addition, the platform provides one-on-one consultations with professional medical practitioners, instructions and tracking services, ensuring that users are provided with comprehensive health maintenance and protection services from a wide range of perspectives, including external source, mentality, environment, nutrition and physical exercises. "Kangxun Xuetaang" has established cooperation with insurance companies to build "Healthcare Stations" in more than 10 provinces in China. Insurance clients are provided with access to charged physical examinations with the relevant health data uploaded to "Kangxun Xuetaang", with a view to identifying clients at risk of developing chronic diseases and retrieving users' profile information with precision.

(3) *Offline Healthcare and Wellness Services*

The Group remains committed to providing one-stop O2O health management solutions. In addition to operating "Kangxun Xuetaang", a platform targeted at managing chronic diseases (e.g. diabetes), during the period under review, the Group also operated "Beijing Bayhood No. 9 Club", a healthcare and wellness centre, through a leasing arrangement to provide offline healthcare and wellness services. As one of the top green health clubs in China, "Beijing Bayhood No. 9 Club" comprises a comprehensive range of facilities, including a standard 18-hole golf course, lakeside golf course private VIP rooms, a spa facility, and Asia's first PGA-branded golf academy. The Group's healthcare and wellness centre located in Chaoyang District, Beijing also officially commenced operation since mid-2015. Featuring themes of dining, leisure and healthcare, the centre serves middle to high-end clients that are conscious of their wellbeing.

During the period under review, offline healthcare business remained stable and contributed revenue of approximately HK\$58.03 million to the Group, representing a year-on-year increase of 9%. The increase was primarily attributable to the commencement of operation of the Group's healthcare and wellness centre in Chaoyang District, Beijing since mid-2015; segment profit was approximately HK\$2.92 million.

Business Outlook

Improved quality of life among Chinese citizens spurred the growth in China's box office receipts, reflecting a bright prospect for the film industry. With higher consumption power, Chinese citizens are more willing to spend money on enjoying life and improving their quality of life, and going to the movies has become an important form of entertainment for them. According to predictions of the EntGroup, cinema attendance in China is likely to increase to 1.93 billion by 2017. Benefiting from increased cinema attendance, China's film industry is undergoing a phase of prosperous development.

Thanks to incentive policies launched by the government in recent years, considerable capital injections made by major film companies, as well as the increased cinema attendance, China's film industry market experienced rapid growth; its box office receipts have become the strongest driver behind global box office growth, and cinema investment will gradually expand towards second and third-tier cities. As of 30 June 2016, the number of movie theatres in China reached 7,038, with 35,252 screens and 4,854,800 seats. With an average of 20 screens being added to the total figure on a daily basis, the number of screens in China delivered a year-on-year increase of over 10%, all pointing to a bright future for China's film industry.

According to *Prospects of China's Culture and Entertainment Industry* issued by Deloitte last year, China's culture and entertainment industry is expected to be worth RMB1 trillion by 2020. The Chinese film industry is going to become a RMB200 billion sector by then, overtaking North America in box office receipts and cinema attendance to become the world's biggest film market. As one of the five traditional film distributors in China, Huayi Brothers owns a wide range of films and TV programmes, and has successfully established a layout that covers every link in the industry chain to create a pan-entertainment ecosystem. Meanwhile, leveraging on its own considerable user base and valuable distribution channels, the internet giant Tencent has created a closed-loop for O2O distribution by exploring different forms of the new media business via internet platforms and entering the pan-entertainment industry. After the introduction of Huayi Brothers and Tencent as strategic shareholders, the Group relied on the vast resources from our two substantial shareholders, intending to adopt a revolving yet diversified investment approach towards projects related to the cultural and media industry and gradually establish its own IP pool. Meanwhile, by seizing opportunities to invest in quality international projects from Hollywood and Korea, the Group plans to build its own comprehensive entertainment platform that integrates key functions including production, promotion, marketing, distribution and sales, with a view to becoming a company known for high potential within the online to offline cultural sector as well as the new media industry.

As the largest film market in the world, North America saw steady growth in its box office receipts in 2015, with teenagers becoming the backbone of local audience. North America also outperformed most of the world in terms of box office growth and increase in screens. The U.S. has an abundance of experts, equipment and an established task-allocation system for film production. The ingenuity of US filmmakers and the magnificent scenes of their films have won the hearts of global audience, recording ever increasing box office receipts. Seeing that Hollywood productions are particularly well received by the Chinese audience, the Group will cater for the market demand by actively seeking for opportunities to collaborate with world-class directors and well-known studios from Hollywood; such collaborations will enable the Group to reserve considerable IP resources and gradually build its own IP pool. Meanwhile, the Group will focus on overseas markets as its subject target for mergers, acquisitions and collocations, with a view to speeding up the expansion of its entertainment and media business and creating sizeable revenue for the Group in the long run.

Acceleration in China's ageing population as well as rising public demand for quality medical services have both brought about potential for growth for China's online healthcare business. However, as even the industry leaders in this sector have yet to figure out a sustainable profit-making model, the entire sector is therefore still groping its way towards the right direction. This, added with the fact that revenue from the Group's online healthcare business failed to meet expectations during the period under review, accounting for only approximately 6.2% of total revenue, management of the Company had started to control further investment into the online healthcare business during the period under review after considering the development and prospect of the said sector in a prudent manner, with a view to reducing loss from the online healthcare business. Relatively speaking, the business of offline healthcare and wellness service has remained steady, and it is expected to keep maintaining a stable revenue stream for the Group in the future.

FINANCIAL REVIEW

Continuing Operations

Sales revenue for the six months ended 30 June 2016 amounted to approximately HK\$64,419,000, being a 5% increase comparing to the same period in prior year. The main growth driver attributed to the "offline healthcare and wellness services" segment whose revenue increased by 9% to approximately HK\$58,032,000 (2015: HK\$53,091,000), mainly due to the opening of a healthcare and wellness centre featuring themes of dining, leisure and healthcare for mid-end customers in Chaoyang District, Beijing, in mid-2015. The "online healthcare service" segment started to be revenue-generating since 2015, but the growth pace of sales revenue is not as fast as expected. Revenue from "online healthcare service" segment amounted to approximately HK\$4,024,000 (2015: HK\$693,000), contributing to only 6.2% (2015: 1.1%) of the Group's sales revenue during the period. Revenue from "media and entertainment segment" is still minimal, as most of the investments in the segment were only made in the first half of 2016.

Cost of sales for the six months ended 30 June 2016 amounted to approximately HK\$36,346,000, being a 29% increase comparing to the same period in prior year. This is because the margin for the newly opened mid-tier healthcare and wellness centre in Beijing is relatively low comparing to the operations of high-end “Beijing Bayhood No.9 Club”, leading to overall reduction of gross profit margin.

Other income and other (losses)/gains, net, mainly comprising of realised gain and fair value changes on financial assets at fair value through profit or loss, and exchange differences, amounted to a net loss of approximately HK\$14,019,000 during the period while there was a net gain of approximately HK\$196,130,000 during the same period in prior year. In prior period, there was a material realised gain and fair value change from the disposal of certain investment securities, while there was a net loss from realised gain and fair value loss of HK\$4,700,000 during the period. Another factor for the significant fluctuation is the material depreciation of Chinese Renminbi against Hong Kong dollars during the period, leading to an exchange loss of approximately HK\$12,232,000 (2015: exchange gain of approximately HK\$2,482,000).

Marketing and selling expenses for the six months ended 30 June 2016 decreased significantly to approximately HK\$2,649,000 (2015: HK\$14,248,000). The marketing and selling expenses during the period were mainly attributed to the “online healthcare services” segment. As mentioned above, the growth pace of the revenue of “online healthcare services” segment is not as fast as expected, management has placed strict control on expense spending and commitment, with free or subsidized distribution of smart blood glucose meters and test strips to new subscribers being substantially limited, leading to significant reduction in marketing and selling expenses.

Administrative expenses for the six months ended 30 June 2016 significantly decreased to approximately HK\$69,008,000 (2015: HK\$175,629,000). The significant decrease is mainly due to the following reasons:

- During the period ended 30 June 2015, the Group has incurred legal and professional expenses of approximately HK\$57 million, most of which was incurred for the proposed disposal of Smart Title Limited as detailed in note 17 to the interim consolidated financial information. On the other hand, during the period ended 30 June 2016, legal and professional fees, most of which was incurred for the share subscription completed in February 2016, amounted to approximately HK\$26 million; and
- During the period ended 30 June 2015, the Group has recorded provision for impairment of interest in a joint venture, prepayments and amount due from a subsidiary of a joint venture of approximately HK\$47 million, HK\$23 million and HK\$9 million respectively. No such provision for impairment was made during the period ended 30 June 2016.

Share of results of joint ventures, mainly represents the Group's share of loss of the Travel Channel operations, for the six months ended 30 June 2015 amounted to approximately HK\$12,464,000. As the investment in joint venture has already been fully impaired as at 31 December 2015, no further share of results of joint ventures was recorded during the period ended 30 June 2016.

Finance cost, net, representing the net of imputed finance cost on discounting non-current rental deposits paid and received, amounted to approximately HK\$200,000 (2015: HK\$138,000).

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 30 June 2016, the Group held cash and cash equivalents of approximately HK\$245,480,000, being a 12% decrease comparing to the balance as at 31 December 2015.

The Group is at net current asset position of HK\$430,619,000 as at 30 June 2016 (31 December 2015: HK\$460,631,000). The current ratio, representing the total current assets to the total current liabilities, increased from 6.36 as at 31 December 2015 to 6.58 as at 30 June 2016, representing a very healthy liquidity position.

The debt to equity ratio, representing the sum of borrowings to total equity, is nil as at 31 December 2015 and 30 June 2016. The Group has no borrowing as at 30 June 2016 and 31 December 2015.

Foreign Currency Exchange Exposure

The Group mainly operates in China and Hong Kong and is only exposed to foreign exchange risk arising from Chinese Renminbi currency exposures, primarily with respect to the Hong Kong dollars. During the period, depreciation in Chinese Renminbi against Hong Kong dollars resulted in significant exchange loss of approximately HK\$12,232,000 (2015: exchange gain of approximately HK\$2,482,000).

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

Capital Structure

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

During the period, the Company has issued 6,837,619,860 subscription shares at HK\$0.08 per share.

CHARGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2016, none of the Group's assets was charged and the Group did not have any material contingent liabilities or guarantees.

HUMAN RESOURCES

As at 30 June 2016, the Group employed a total of approximately 68 full-time employees in Hong Kong and the PRC, and continued to manage "Beijing Bayhood No. 9 Club" operations with 493 full-time employees in the PRC. The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel are remunerated by monthly salary which is reviewed by the Group from time to time and adjusted based on performance. In addition to salaries, the Group provides staff benefits including medical insurance, contribution to staff provident fund and discretionary training subsidies. Share options and bonuses are also available at the discretion of the Group depending on the performance of the Group.

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

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

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the “Board”) is committed in achieving high standards of corporate governance. Throughout the six months ended 30 June 2016, the Company has applied the principles and met the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) with the exception of the following deviations:–

1. Code Provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the period, these roles of the Company have not been separate. Mr. WANG Zhongjun has performed the roles of chairman (“Chairman”) and chief executive officer (“CEO”) of the Company.

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

2. Code Provision A.6.7

Under the code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to the work commitment, Mr. Edward TIAN Suning and Mr. Hugo SHONG, both resigned on 5 February 2016, were unable to attend the extraordinary general meeting held on 1 February 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT PERSONS

The Company has adopted a code of conduct for 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”) as 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 the six months ended 30 June 2016.

The Code of Conduct applies to all the relevant persons 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 their office or employment, are likely to possess inside information in relation to the Company or its securities.

REVIEW OF INTERIM REPORT

The Audit Committee comprising of three Independent Non-executive Directors, namely Mr. YUEN Kin (Audit Committee Chairman), Mr. CHU Yuguo and Dr. WONG Yau Kar, David has reviewed the Group's unaudited interim report for the six months ended 30 June 2016 together with the Company's independent auditor and there were no disagreements with any accounting treatment.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.huayitencent.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The interim report of the Company for 2016 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
WANG Zhongjun
Chairman

Hong Kong, 26 August 2016

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

Executive directors: Mr. WANG Zhongjun (Chairman), Mr. LAU Seng Yee (Vice Chairman), Mr. WANG Zhonglei, Mr. LIN Haifeng, Ms. WANG Dongmei, Mr. YUEN Hoi Po

Independent non-executive directors: Dr. WONG Yau Kar David, BBS, JP, Mr. YUEN Kin, Mr. CHU Yuguo