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 2016

The board of directors (the ''Board'') of Huayi Tencent Entertainment Company Limited (formerly known as "China Jiuhao Health Industry Corporation Limited") (the "Company") is pleased to announce the results of the Company and its subsidiaries (together the ''Group'') for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Continuing Operations			
Revenue	*3*	**135,633**	122,838
Cost of sales		**(113,842)**	(67,659)
Gross profit		**21,791**	55,179
Other income and other (losses)/gains, net	*3*	**(40,310)**	153,661
Marketing and selling expenses		**(4,069)**	(23,421)
Administrative expenses		**(117,983)**	(136,564)
Share of results of an associate	*12*	**1,624**	–
Share of results of joint ventures, net		**–**	(12,544)
Provision for impairment of interests in joint ventures and amount due from a joint venture		**–**	(164,124)
		(138,947)	(127,813)
Finance income/(costs), net	*5*	**233**	(220)
Loss before taxation	*6*	**(138,714)**	(128,033)
Taxation	*7*	**(86)**	(4,612)
Loss for the year from continuing operations		**(138,800)**	(132,645)
Discontinued Operations			
Profit/(loss) for the year from discontinued operations	*16*	**21**	(364,351)
Loss for the year		**(138,779)**	(496,996)
Attributable to:			
Equity holders of the Company			
– continuing operations		**(139,527)**	(129,319)
– discontinued operations		**21**	(364,351)
		(139,506)	(493,670)
Non-controlling interest			
– continuing operation		**727**	(3,326)
		(138,779)	(496,996)

	Notes	**2016**	2015
Loss per share attributable to the equity holders of the Company for the year		***HK Cents***	*HK Cents*
Basic loss per share	*8*		
– from continuing operations		**(1.09)**	(1.96)
– from discontinued operations		**–**	(5.51)
		(1.09)	(7.47)
Diluted loss per share	*8*		
– from continuing operations		**(1.09)**	(1.96)
– from discontinued operations		**–**	(5.51)
		(1.09)	(7.47)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(138,779)**	(496,996)
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
– Currency translation differences	**18,784**	(11,462)
Other comprehensive income/(loss) for the year, net of tax	**18,784**	(11,462)
Total comprehensive loss for the year	**(119,995)**	(508,458)
Total comprehensive loss attributable to:		
Equity holders of the Company		
– continuing operations	**(120,865)**	(140,418)
– discontinued operations	**20**	(364,757)
Non-controlling interest		
– continuing operation	**850**	(3,283)
	(119,995)	(508,458)

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

		As at 31 December	
		2016	2015
	Notes	***HK\$'000***	*HK\$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**15,940**	15,734
Film right and film production in progress	*11*	**367,602**	23,872
Other intangible assets		**10**	15
Interest in an associate	*12*	**190,501**	–
Interests in joint ventures		**–**	179
Available-for-sale financial assets		**12,101**	–
Deferred income tax assets		**2,142**	2,012
Prepayments, deposits and other receivables		**91,834**	86,628
		680,130	128,440
Current assets			
Trade receivables	*13*	**73**	400
Inventories		**6,942**	7,595
Amount due from a joint venture		**–**	165,535
Programmes and film production in progress		**50,252**	50,271
Financial assets at fair value through profit or loss		**–**	13,900
Prepayments, deposits and other receivables		**40,164**	28,483
Cash and cash equivalents		**70,842**	280,400
		168,273	546,584
Assets of disposal group classified as held for sale	*16*	**245,441**	–
		413,714	546,584
Total assets		**1,093,844**	675,024

		As at 31 December	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company			
Share capital		**269,962**	133,210
Reserves		**735,413**	446,001
		1,005,375	579,211
Non-controlling interest		**(1,506)**	(2,356)
Total equity		**1,003,869**	576,855
Liabilities			
Non-current liabilities			
Other payables	*14*	**12,221**	11,509
Deferred income tax liabilities		**1,003**	707
		13,224	12,216
Current liabilities			
Trade payables	*14*	**2,518**	3,920
Receipt in advance, other payables and accrued liabilities	*14*	**14,787**	24,655
Income tax liabilities		**57,378**	57,378
		74,683	85,953
Liabilities of disposal group classified as held for sale	*16*	**2,068**	–
		76,751	85,953
Total liabilities		**89,975**	98,169
Total equity and liabilities		**1,093,844**	675,024

Notes:

1. **GENERAL INFORMATION**

Huayi Tencent Entertainment Company Limited (formerly known as "China Jiuhao 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 Jiuhao 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 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. This results announcement has been approved for issue by the Board of Directors on 24 March 2017.

2. **BASIS OF PREPARATION**

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair values.

(i) ***New and amended standards adopted by the Group***

The Group has adopted the following new and amended standards that have been issued and effective for the Group's financial year beginning on 1 January 2016:

HKAS 1 (amendments)	Disclosure initiative
HKAS 16 and HKAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortization
HKAS 16 and HKAS 41 (amendments)	Agriculture: bearer plants
HKAS 27 (amendments)	Equity method in separate financial statements
HKFRSs (amendments)	Annual improvements to HKFRSs 2012–2014 cycle
HKFRS 10 and HKFRS 12 and HKAS 28 (amendments)	Investment entities: applying the consolidation exception
HKFRS 11 (amendments)	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts

The adoption of the above new and amended standards has no significant impact on the Group's results and financial position.

(ii) ***New and amended standards that are issued, but are not effective for financial year beginning on 1 January 2016 and have not been early adopted:***

		Effective for financial years beginning on or after
HKAS 7 (amendments)	Disclosure initiative	1 January 2017
HKAS 12 (amendments)	Recognition of deferred tax assets for unrealized losses	1 January 2017
HKFRS 2 (amendments)	Classification and measurement of share-based payment transactions	1 January 2018
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 15 (amendments)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

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

3. REVENUE AND OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

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

	2016	2015
	HK$'000	*HK$'000*
Sales		
Entertainment and media	**11,825**	9,806
Offline healthcare and wellness services	**116,499**	111,086
Online healthcare services	**7,309**	1,946
	135,633	122,838
Other income and other (losses)/gains, net		
Interest income	**894**	1,577
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	**–**	(21,100)
Gain on disposals of subsidiaries	**1,694**	1,300
Gain on disposal of a joint venture	**12**	3,138
Exchange losses, net	**(39,803)**	(33,575)
Miscellaneous	**1,593**	534
	(40,310)	153,661

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 before taxation, excluding exchange losses, net, finance income/(costs), net and unallocated (expenses)/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 year ended 31 December 2016 (2015: Nil).

(a) Business segment

For the year ended 31 December 2016

	Entertainment and Media *HK$'000*	Online Healthcare Services *HK$'000*	Offline Healthcare and Wellness Services *HK$'000*	Total continuing operations *HK$'000*	Discontinued operations: Entertainment and Media - Hao You *HK$'000*	Total *HK$'000*
Revenue	11,825	7,309	116,499	135,633	–	135,633
Share of result of an associate	1,624	–	–	1,624	–	1,624
Segment results	(36,317)	(14,283)	7,828	(42,772)	21	(42,751)
Exchange losses, net				(39,803)	–	(39,803)
Unallocated expenses, net				(56,372)	–	(56,372)
				(138,947)	21	(138,926)
Finance income, net				233	–	233
(Loss)/profit before taxation				(138,714)	21	(138,693)
Taxation				(86)	–	(86)
(Loss)/profit for the year				(138,800)	21	(138,779)
Non-controlling interest				(727)	–	(727)
(Loss)/profit attributable to the equity holders of the Company				(139,527)	21	(139,506)

	Entertainment and Media *HK$'000*	Online Healthcare Services *HK$'000*	Offline Healthcare and Wellness Services *HK$'000*	Total continuing operations *HK$'000*	Discontinued operations: Entertainment and Media - Hao You *HK$'000*	Total *HK$'000*
Segment assets	**652,013**	**17,019**	**101,440**	**770,472**	**245,441**	**1,015,913**
Unallocated assets				**77,931**	**–**	**77,931**
Total assets				**848,403**	**245,441**	**1,093,844**
Segment liabilities	**3,285**	**8,371**	**17,863**	**29,519**	**2,068**	**31,587**
Unallocated liabilities				**58,388**	**–**	**58,388**
Total liabilities				**87,907**	**2,068**	**89,975**
Other information:						
Purchases of property, plant and equipment						
– Allocated	**–**	**3,280**	**3,422**	**6,702**	**–**	**6,702**
– Unallocated				**1,989**	**–**	**1,989**
Purchases of film right and film production in progress	**536,250**	**–**	**–**	**536,250**	**–**	**536,250**
Depreciation						
– Allocated	**292**	**3,212**	**3,018**	**6,522**	**–**	**6,522**
– Unallocated				**142**	**–**	**142**
Amortization of film right	**5,779**	**–**	**–**	**5,779**	**–**	**5,779**
Amortization of other intangible assets	**–**	**–**	**5**	**5**	**–**	**5**

For the year ended 31 December 2015

	Entertainment and Media *HK$'000*	Online Healthcare Services *HK$'000*	Offline Healthcare and Wellness Services *HK$'000*	Total continuing operations *HK$'000*	Discontinued operations: Offline Healthcare and Wellness Services - Beijing Healthcare and Wellness Si He Yuan and Hotel Project *HK$'000*	Total *HK$'000*
Revenue	9,806	1,946	111,086	122,838	–	122,838
Share of results of joint ventures, net	(12,544)	–	–	(12,544)	–	(12,544)
Segment results	(158,348)	(43,049)	(31,828)	(233,225)	(306,980)	(540,205)
Exchange losses, net				(33,575)	–	(33,575)
Unallocated income, net				138,987	–	138,987
				(127,813)	(306,980)	(434,793)
Finance costs, net				(220)	–	(220)
Loss before taxation				(128,033)	(306,980)	(435,013)
Taxation				(4,612)	(57,371)	(61,983)
Loss for the year				(132,645)	(364,351)	(496,996)
Non-controlling interest				3,326	–	3,326
Loss attributable to the equity holders of the Company				(129,319)	(364,351)	(493,670)

	Entertainment and Media *HK$'000*	Online Healthcare Services *HK$'000*	Offline Healthcare and Wellness Services *HK$'000*	Total continuing operations *HK$'000*	Discontinued operations: Offline Healthcare and Wellness Services - Beijing Healthcare and Wellness Si He Yuan and Hotel Project *HK$'000*	Total *HK$'000*
Segment assets	128,350	23,009	120,760	272,119	–	272,119
Interests in and amount due from joint ventures	165,714	–	–	165,714	–	165,714
Unallocated assets				237,191	–	237,191
Total assets				675,024	–	675,024
Segment liabilities	3,496	11,226	23,698	38,420	–	38,420
Unallocated liabilities				59,749	–	59,749
Total liabilities				98,169	–	98,169
Other information:						
Purchases of property, plant and equipment						
– Allocated	8,075	6,256	2,663	16,994	–	16,994
– Unallocated				22	–	22
Purchases of film right and film production in progress	24,590	–	–	24,590	–	24,590
Depreciation expense						
– Allocated	331	731	1,861	2,923	–	2,923
– Unallocated				160	–	160
Amortization expense	–	–	5	5	–	5

(b) Geographical segment

The segment results for the year ended 31 December 2016 are as follows:

	PRC *HK$'000*	HK *HK$'000*	South Korea *HK$'000*	Total *HK$'000*
Revenue	**128,234**	**7,399**	**–**	**135,633**
Segment results	**(45,808)**	**(95,322)**	**1,624**	**(139,506)**
Segment assets	**441,283**	**104,715**	**202,602**	**748,600**
Unallocated *(Note)*				**345,244**
Total assets				**1,093,844**
Segment liabilities	**26,015**	**63,960**	**–**	**89,975**
Total liabilities				**89,975**
Other information:				
Purchases of property, plant and equipment	**6,702**	**1,989**	**–**	**8,691**
Purchases of film right and film production in progress *(Note)*	**N/A**	**N/A**	**N/A**	**536,250**
Depreciation	**6,522**	**142**	**–**	**6,664**
Amortization of film right	**N/A**	**N/A**	**N/A**	**5,779**
Amortization of other intangible assets	**5**	**–**	**–**	**5**

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

The segment results for the year ended 31 December 2015 are as follows:

	PRC	HK	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue	122,838	–	122,838
Segment results	(222,726)	(270,944)	(493,670)
Segment assets	402,385	106,925	509,310
Interests in and amount due from joint ventures	165,714	–	165,714
Total assets			675,024
Segment liabilities	32,459	65,710	98,169
Total liabilities			98,169
Other information:			
Purchases of property, plant and equipment	16,994	22	17,016
Purchases of film right and film production in progress	24,590	–	24,590
Depreciation	3,015	68	3,083
Amortization	5	–	5

5. FINANCE INCOME/(COSTS), NET

	2016 *HK$'000*	2015 *HK$'000*
Finance costs		
Notional non-cash interest on convertible notes	**–**	(1,821)
Imputed finance cost on discounting non-current rental deposit paid	**–**	(1,520)
Imputed finance cost on discounting non-current rental deposits received	**(33)**	–
	(33)	(3,341)
Less: Amounts capitalized as the cost of qualifying assets *(Note)*	**–**	1,813
	(33)	(1,528)
Finance income		
Imputed finance income on discounting non-current rental deposits received	**–**	1,308
Imputed finance income on discounting non-current rental deposits paid	**266**	–
	266	1,308
Finance income/(costs), net	**233**	(220)

Note: 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" project.

6. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

	2016	2015
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment *(Note 10)*	**6,664**	3,083
Amortization of film right *(Note 11)*	**5,779**	–
Auditor's remuneration		
– Audit services	**2,980**	2,760
– Non-audit services	**1,724**	3,343
Operating lease rentals – land and buildings	**6,069**	5,818
Operating lease rentals – operating rights	**20,782**	10,027
Provision for impairment of		
– inventories	**–**	3,453
– construction in progress	**–**	6,517
– prepayments	**–**	22,182
– film right	**44,051**	–
Loss on disposal of property, plant and equipment	**162**	–
Employee benefit expense:		
Directors' fees	**600**	750
Wages and salaries	**21,126**	55,045
Contributions to defined contribution pension schemes	**1,529**	5,305
	23,255	61,100

7. TAXATION

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit in Hong Kong for the year (2015: Nil). 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.

PRC Corporate Income Tax has been provided for at the rate of 25% (2015: 25%) on the estimated assessable profit for the year.

	2016	2015
	HK$'000	*HK$'000*
Current income tax		
– PRC Corporate income tax	**–**	(13,072)
Deferred income tax	**86**	17,684
Income tax expense	**86**	4,612

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. Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted loss per share for the years ended 31 December 2016 and 2015 were the same as basic loss per share as the Company had no potentially dilutive ordinary shares in issue during these years.

	2016	2015
Weighted average number of ordinary shares in issue (thousands)	**12,844,236**	6,612,389
Loss from continuing operations attributable to equity holders of the Company (HK$'000)	**(139,527)**	(129,319)
Basic and diluted loss per share from continuing operations attributable to equity holders of the Company (HK cents per share)	**(1.09)**	(1.96)
Profit/(loss) from discontinued operations attributable to equity holders of the Company (HK$'000)	**21**	(364,351)
Basic and diluted earnings/(loss) per share from discontinued operations attributable to equity holders of the Company (HK cents per share)	**–**	(5.51)
Loss per share attributable to equity holders of the Company (HK cents per share)	**(1.09)**	(7.47)

9. DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2016 (2015: Nil).

For the year ended 31 December 2015, a special dividend comprising of HK$500,000,000 paid in cash and share entitlement note ("SEN") of Eternity Investment Limited ("Eternity"), a company listed on The Stock Exchange of Hong Kong Limited, which can be converted into 1,500 million ordinary shares of Eternity was distributed to entitled shareholders of the Company on 6 October 2015, following the completion of a disposal transaction (Note 16). It represented HK$0.18 per ordinary share and was debited from the distributable reserves of the Company.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Furniture, computer and equipment	Leasehold improvements	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2015							
Opening net book amount	745	33	1,992	546	1,614	4,583	9,513
Additions	–	6,385	153	8,241	188	2,049	17,016
Disposal of a subsidiary	–	–	–	–	(494)	–	(494)
Provision for impairment loss	–	–	–	–	–	(6,517)	(6,517)
Depreciation	(25)	(93)	(789)	(1,917)	(259)	–	(3,083)
Exchange differences	(42)	(185)	(117)	(216)	(26)	(115)	(701)
Closing net book amount	678	6,140	1,239	6,654	1,023	–	15,734
At 31 December 2015							
Cost	726	6,258	3,637	9,046	2,538	6,348	28,553
Accumulated depreciation and impairment	(48)	(118)	(2,398)	(2,392)	(1,515)	(6,348)	(12,819)
Net book amount	678	6,140	1,239	6,654	1,023	–	15,734

	Buildings *HK$'000*	Machinery and equipment *HK$'000*	Furniture, computer and equipment *HK$'000*	Leasehold improvements *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Year ended 31 December 2016							
Opening net book amount	678	6,140	1,239	6,654	1,023	–	15,734
Additions	–	3,398	1,132	2,692	1,469	–	8,691
Acquisition of a subsidiary *(Note 15)*	904	–	119	–	92	–	1,115
Disposals	–	–	(44)	–	(147)	–	(191)
Disposals of subsidiaries	(671)	(2)	–	–	–	–	(673)
Depreciation	–	(2,603)	(797)	(3,005)	(259)	–	(6,664)
Reclassification to assets of disposal group held for sale *(Note 16)*	(898)	–	(118)	–	(91)	–	(1,107)
Exchange differences	(13)	(417)	(79)	(354)	(102)	–	(965)
Closing net book amount	–	6,516	1,452	5,987	1,985	–	15,940
At 31 December 2016							
Cost	–	9,128	4,411	10,749	3,455	6,348	34,091
Accumulated depreciation and impairment	–	(2,612)	(2,959)	(4,762)	(1,470)	(6,348)	(18,151)
Net book amount	–	6,516	1,452	5,987	1,985	–	15,940

Depreciation expense of approximately HK$2,678,000 (2015: HK$83,000) and HK$3,986,000 (2015: HK$3,000,000) has been charged in cost of sales and administrative expenses respectively.

For the year ended 31 December 2015, the Group has capitalized borrowing costs of approximately HK$1,813,000 and operating lease rentals of approximately HK$8,783,000. Aggregated amount of approximately HK$10,596,000 was capitalized for a subsidiary disposed of during the year ended 31 December 2015.

11. FILM RIGHT AND FILM PRODUCTION IN PROGRESS

	Film right *HK$'000*	Film production in progress *HK$'000*	Total *HK$'000*
Year ended 31 December 2015			
Opening net book amount	–	–	–
Additions	–	24,590	24,590
Exchange differences	–	(718)	(718)
Closing net book amount	–	23,872	23,872
At 31 December 2015			
Cost	–	23,872	23,872
Accumulated amortization	–	–	–
Net book amount	–	23,872	23,872
Year ended 31 December 2016			
Opening net book amount	**–**	**23,872**	**23,872**
Additions	**–**	**536,250**	**536,250**
Reclassification	**171,292**	**(171,292)**	**–**
Return of investments	**(46,531)**	**(94,645)**	**(141,176)**
Amortization	**(5,779)**	**–**	**(5,779)**
Impairment	**(44,051)**	**–**	**(44,051)**
Exchange differences	**–**	**(1,514)**	**(1,514)**
Closing net book amount	**74,931**	**292,671**	**367,602**
At 31 December 2016			
Cost	**124,761**	**292,671**	**417,432**
Accumulated amortization	**(5,779)**	**–**	**(5,779)**
Impairment	**(44,051)**	**–**	**(44,051)**
Net book amount	**74,931**	**292,671**	**367,602**

Amortization expense of approximately HK$5,779,000 (2015: Nil) and impairment of approximately HK$44,051,000 (2015: Nil) of film right have been charged to the costs of sales in the consolidated income statement, respectively.

12. INTEREST IN AN ASSOCIATE

Set out below is the associate of the Group as at 31 December 2016 which, in the opinion of the directors, is material to the Group. The associate is a private company and there is no quoted market price available for their shares. There are no contingent liabilities relating to the Group's interest in the associate, and there are no contingent liabilities and commitments of the associate itself.

Nature of interest in an associate as at 31 December 2016 and 2015 is as follows:

Name	**Place of establishment and kind of legal entity**	**% of ownership interest**		**Principal activities and place of operation**
		2016	2015	
HB Entertainment Co., Ltd ("HB Entertainment") *(Note)*	South Korea, limited liability company	**22%**	N/A	Production of and investment in movies and TV drama series, provision of entertainer/artist management and agency services in South Korea

Note: On 23 March 2016, the Company, 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 Major Shareholder and HB Corporation. As of 16 August 2016, the Company has completed both the first 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.

Summarized financial information for material associate

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

	HB Entertainment
	2016
	HK$'000
Summarized balance sheet	
Current	
Cash and cash equivalents	44,638
Other current assets (excluding cash)	68,395
Total current assets	**113,033**
Current financial liabilities (excluding trade payables)	(26,185)
Other current financial liabilities	(31,073)
Total current liabilities	**(57,258)**
Non-current	
Assets	75,566
Financial liabilities	(11,031)
Other liabilities	(4,217)
Total non-current liabilities	**(15,248)**
Net asset	**116,093**
Non-controlling interests	**(1,261)**
Net asset attributable to the equity holders	**114,832**
Summarized statement of comprehensive income	
Revenue	**200,000**
Profit before taxation	**22,773**
Taxation	(3,946)
Profit after taxation	**18,827**
Other comprehensive loss	(4,469)
Total comprehensive income	**14,358**

The information above reflects the amounts represented in the financial statements of the associate (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

Movements of interest in an associate are as follows:

	HB Entertainment **2016** ***HK$'000***
Interest in an associate	
Acquisition of an associate	**191,656**
Share of results	**1,624**
Exchange differences	**(2,779)**
At 31 December	**190,501**

Reconciliation of summarized financial information

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

Summarized financial information	
Opening net assets as at acquisition of an associate	**120,030**
Post–acquisition profit for the period	**7,308**
Exchange differences	**(12,506)**
Closing net assets	**114,832**
Interest in an associate	**25,518**
Goodwill	**164,983**
Carrying value	**190,501**

13. TRADE RECEIVABLES

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

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
0–3 months	**73**	400
Over 1 year	**12,254**	13,083
	12,327	13,483
Provision for doubtful debts (all made against trade receivables aged over 6 months)	**(12,254)**	(13,083)
	73	400

The Group generally requires customers to pay in advance, but grants a credit period of 15 days to 30 days to certain customers.

Credit risk represents the accounting loss that would be recognized at the balance sheet date if counterparties failed to perform as contracted. As at 31 December 2016, HK$12,254,000 of the trade receivables was considered impaired (2015: HK$13,083,000).

The aging analysis of trade receivables that were past due but not impaired is as follows:

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
0-3 months	**73**	400
	73	400

Management does not expect any material losses from non-performance by these counterparties, as these relate to a number of independent customers for whom there is no recent history of default.

Movements on the Group's provision for doubtful debts are as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**13,083**	13,894
Exchange differences	**(829)**	(811)
At 31 December	**12,254**	13,083

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

The carrying amounts of trade receivables approximate their fair values and are denominated in Renminbi ("RMB").

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.

14. TRADE PAYABLES, RECEIPT IN ADVANCE, OTHER PAYABLES AND ACCRUED LIABILITIES

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current liabilities:		
Trade payables	**2,518**	3,920
Receipt in advance	**8,853**	9,505
Other payables and accrued liabilities *(Note)*	**5,934**	15,150
	17,305	28,575
Non-current liabilities:		
Tenant deposits received and other payables	**12,221**	11,509
	29,526	40,084

Note: Other payables and accrued liabilities mainly represented PRC tax payables, accrued operating expenses and payables for property, plant and equipment.

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

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
0–3 months	**–**	1,413
4–6 months	**–**	2,438
Over 6 months	**2,518**	69
	2,518	3,920

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

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
HK$	**3,797**	8,390
United States dollar	**2,785**	–
RMB	**22,944**	31,694
	29,526	40,084

15. STEP ACQUISITION FROM JOINT VENTURE TO SUBSIDIARY

Refer to the announcement dated 9 September 2016, Beijing Hua Yi Hao Ge Media Culture Co., Ltd. ("Hao Ge", a wholly-owned subsidiary of the Company) and Poly Culture Group Corporation Limited ("Poly Culture") entered into an agreement in relation to the possible acquisition of the remaining 50% equity interest in Beijing Hao You Media Culture Co, Ltd (formerly known as Asia Union Film and Media) ("Hao You") by Hao Ge from Poly Culture for a consideration of RMB80 million. Hao You was the then joint venture of the Group held by Hao Ge as to 50%.

On 25 November 2016, Hao Ge and Poly Culture entered into an sales and purchase agreement in relation to the remaining 50% equity interest in Hao You at a consideration of RMB80 million (equivalent to approximately HK$90.1 million) (the "Step Acquisition"). Upon the completion of the Step Acquisition on 1 December 2016, Hao You became a wholly-owned subsidiary of the Company.

As at the date of acquisition, the subsidiary had not actively engaged in any business and accordingly, in the opinion of management, the acquisition of Hao You constitutes an acquisition of assets and liabilities.

The cost of acquisition of RMB80,000,000 (equivalent to approximately HK$90,100,000) has been allocated to the following identifiable assets and liabilities of Hao You as at the date of acquisition as follows:

	1 December 2016 *HK$'000*
Consideration paid	
Cash	90,100
Recognized amounts of identifiable assets acquired and liabilities assumed	
Interest in an associate *(Note)*	90,100
Amount due from an associate	155,897
Property, plant and equipment	1,115
Cash and cash equivalents	147
Amount due from a fellow subsidiary	478
Trade payables, other payables and accruals	(2,099)
Amount due to the immediate holding company	(155,538)
Total identifiable net assets acquired	90,100
Analysis of cash flows in respect of the acquisition of Hao You is as follows:	
Cash consideration	(90,100)
Cash and cash equivalents acquired	147
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(89,953)

Note: Interest in an associate represented 49% equity interest in Hainan Haishi Travel Satellite TV Media Co., Ltd* whose principal activity is the operation of Travel Channel, a provincial satellite television channel in PRC.

* *The name of the company referred to above represents management's best effort in translating the Chinese name of the company as no English name for the company has been registered.*

16. DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

For the year ended 31 December 2016

Saved as disclosed in Note 15, Hao Ge acquired Hao You with a view to subsequently dispose of all or a majority of its equity interest in Hao You and the amount due from Hao You by Hao Ge. Hao Ge has held equity interest in Hao You since 2005 and Hao You had made losses since 2014. For the year ended 31 December 2015, the Group made provision for impairment of interest in Hao You and amount due from Hao You amounting HK$164 million, which was mainly due to deterioration of expected future cash flows from Hao You. Given that the financial results of Hao You had not been satisfactory and it did not make positive contribution to the Group in recent years, management's disposal plan on Hao You represented a good opportunity to realize the Group's investment in Hao You.

The assets and liabilities related to Hao You have been presented as held for sale following the approval of the Company's board of directors on 9 September 2016 to sell Hao You.

Assets of disposal group classified as held for sale as at 31 December 2016 are as follows:

	HK$'000
Property, plant and equipment	1,107
Interest in an associate	89,435
Amount due from an associate	154,748
Cash and cash equivalents	151
	245,441

Liabilities of disposal group classified as held for sale as at 31 December 2016 are as follows:

	HK$'000
Trade payables, other payables and accruals	2,068

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

	From 1 December 2016 to 31 December 2016
	HK$'000
Currency translation differences	(1)

As interest in Hao You was acquired exclusively with a view to resale, it is accounted for as discontinued operations as of 31 December 2016.

Analysis of the result of discontinued operations in relation to Hao You, and the result recognized on the remeasurement of the then equity interest in Hao You, is as follows:

	From 1 December 2016 to 31 December 2016
	HK$'000
Other income and other gains, net	21
Profit before taxation of discontinued operations	21
Taxation	–
Profit for the year from discontinued operations	21

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

	From 1 December 2016 to 31 December 2016
	HK$'000
Operating cash flows	4
Investing cash flows	–
Financing cash flows	–
Total cash flows	4

For the year ended 31 December 2015

On 11 December 2014, Unique Talent Group Limited (the "Vendor"), a wholly-owned subsidiary of the Company, the Company (as a guarantor) and Eternity (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 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 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 acres 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 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 cumulative income or expense recognized in other comprehensive income relating to the disposal group classified as held for sale is as follows:

	2015
	HK$'000
Currency translation differences	(406)

As the operation of offline healthcare and wellness services – Beijing Healthcare and Wellness Si He Yuan and Hotel Project is considered as a separate major line of business, they are accounted for as discontinued operations.

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

	2015
	HK$'000
Other income and other gains, net	99
Administrative expenses	(133)
Loss before tax of discontinued operations	(34)
Taxation	7
Loss of discontinued operations	(27)
Loss on disposal of the Target Group	(364,324)
Loss for the year from discontinued operations	(364,351)

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:

	2015
	HK$'000
Operating cash flows	(5,650)
Investing cash flows	(25,848)
Financing cash flows	–
Total cash flows	(31,498)

Analysis of loss on disposal of the Target Group is as follows:

	As at 6 October 2015
	HK$'000
Cash consideration	
– cash received upon disposal	432,000
– deposit received in prior year	60,000
– amount withheld by the Purchaser (Note (i))	108,000
Total cash consideration	600,000
SEN (Note (ii))	727,500
Total consideration	1,327,500
Direct transaction costs in relation to the disposal	(54,293)
Net consideration	1,273,207

	As at 6 October 2015 *HK$'000*
Net assets as at the Completion Date	
Property, plant and equipment	523,699
Goodwill	308,427
Intangible assets	1,216,933
Deferred income tax assets	3,546
Prepayments, deposits and other receivables	82,994
Inventories	9,292
Cash and cash equivalents	54,563
	2,199,454
Trade payables	(2,903)
Receipt in advance, other payables and accrued liabilities	(141,045)
Current income tax payables	(71,535)
Deferred revenue	(95,409)
Deferred income tax liabilities	(327,484)
	(638,376)
Net assets disposed of	1,561,078
Less:	
– release of exchange reserve upon disposal	(19,075)
– capital gain tax arising from the disposal	(57,378)
Loss on disposal of the Target Group	(364,324)

Note (i): Pursuant to the Club Lease Agreement, RMB90,000,000 (equivalent to approximately HK$108,000,000) was withheld by the Purchaser from the cash consideration to offset against club lease prepayment for the first 5-year period after the Completion Date.

Note (ii): Fair value of the SEN received was determined by market price as at the Completion Date of 1,500,000,000 ordinary shares of the Purchaser which are traded in The Stock Exchange of Hong Kong Limited.

Note (iii): Cash consideration of HK$500,000,000 and the SEN were distributed to entitled shareholders of the Company immediately after completion of the disposal (Note 9).

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of Huayi Tencent Entertainment Company Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2016.

In 2016, China's film industry returned to a more rational phase of development. In addition to showing promising signs for the film industry's long-term development, the film market also maintained its rapid growth. Box-office revenue totalled RMB45.712 billion in 2016, with Hollywood productions recording an increase of 12.5% in box office receipts in the Chinese market to RMB19 billion. With state authorities planning to loosen restrictions on imported films, box-office growth of U.S. films is expected to further accelerate in the Chinese market. On the other hand, riding on the robust development of Korean films, TV programmes and music, as well as their growing impact in the global market, it is expected that investing in Korean media productions would diversify the Group's revenue streams in the long run.

The Company completed a series of share subscriptions on 5 February 2016, introducing Huayi Brothers Media Corporation ("Huayi Brothers") and Tencent Holdings Limited ("Tencent") as its controlling shareholders. Further, the Company officially changed its English name to Huayi Tencent Entertainment Company Limited on 10 May 2016, a true testimony to the Groups' approach in business development and the close collaboration between the newly appointed directors and management, all in an effort to build the Company into a listing platform for those engaged in the development of overseas media and entertainment industry.

As one of the five largest 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 our controlling shareholders, the Company now has access to their vast resources, and is planning on seeking opportunities to invest in, acquire and collaborate with projects from, among others, Hollywood and South Korea. By forming long-term partnerships with celebrated directors from overseas and introducing top Chinese and foreign actors, the Company aims to create international productions that suit the global audience, with a view to targeting the massive market in Greater China, thereby giving the Chinese entertainment culture a stronger voice on the global stage.

Rock Dog, one of the films that the Group invested in, was first released in China in July 2016, and subsequently in North America at the end of February 2017, in cooperation with Lionsgate Entertainment and Summit Entertainment. *Rock Dog* is the first Chinese-made animated film to be massively distributed overseas. In addition, the Group also collaborated with China Lion Entertainment (a North America-based company with extensive talents in the industry) to invest in ten films that cover various genres such as action, comedy and animation, whose production team includes Peter Segal (director of *50 First Dates* and *Grudge Match)*, Pete Chiarelli (screenwriter of *Now You See Me 2* and *The Proposal*), and the production team of *The Simpsons Movie*. These film productions will be starring top celebrities from China and the U.S., and are expected to be released in succession starting from 2018.

Further, the Group subscribed approximately 22% of equity interest in HB Entertainment in August 2016, and it plans to gradually increase its shareholding to 30% by early 2018. As one of the well-known private producers of TV series in South Korea, HB Entertainment is primarily engaged in the production of and investment in films and TV series, as well as the provision of artist management and agency services. Popular TV programmes produced by HB Entertainment in recent years include *My Love from the Star*, *You're All Surrounded, Yong Pal* and *The K2,* and it represents artists such as Ji Jin-Hee, Ahn Jae-Hyeon and Shin Seongrok. HB Entertainment received the Global Management Award in the awards ceremony of the 9th Korea Drama Festival, while Ahn Jae-Hyeon, with his portrayal at *Cinderella and Four Knights* (one of HB Entertainment's TV series) won the Best Actor, Top Excellence Award and the accolade for Global Star.

While China's culture and entertainment industry is being ushered into its golden age, it is also facing intensified competitions arising from considerable potentials in the market. In order to enhance China's culture and entertainment industry with global perspectives in the future, our productions must aim at a global audience, and the rest is in the hands of time. We need to take the initiative to seek changes, to provide our audience with more and fresher content productions of greater quality. Looking ahead, through the Group's investments and collaborations with overseas producers, as well as its partnerships with top talents around the globe, the Group will become better positioned to take advantage of arisen opportunities as the Chinese audience acquires a taste for international productions, to produce phenomenal media productions, and to establish a stronger presence in the world and the Greater China Region alike.

Last but not least, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our investors and business partners for always trusting and supporting us, and to extend my earnest thanks to all our staff members for their dedication and contribution throughout the past year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Financial Performance

Major indicators of the financial results for the year ended 31 December 2016 are summarized in the table below:

	2016	2015
	HK$'000	*HK$'000*
Continuing operations:		
Total sales revenue	**135,633**	122,838
Gross profit	**21,791**	55,179
Loss before finance costs and taxation	**(138,947)**	(127,813)
Loss for the year	**(138,800)**	(132,645)
Loss attributable to equity holders of the Company	**(139,527)**	(129,319)
Discontinued operations:		
Profit/(loss) for the year	**21**	(364,351)

Business Review	**Sales Revenue**		**Segment Results**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Entertainment and media operations	**11,825**	9,806	**(36,317)**	(158,348)
Online healthcare services	**7,309**	1,946	**(14,283)**	(43,049)
Offline healthcare and wellness services	**116,499**	111,086	**7,828**	(31,828)
Total	**135,633**	122,838	**(42,772)**	(233,225)

During the year ended 31 December 2016 (the "year under review"), each operation of the Group recorded an increase in revenue, driving the Group's revenue to record an increase of approximately 10%. However, the Group recorded a consolidated net loss of HK$138,779,000 during the year under review, primarily due to (i) legal and professional fees of approximately HK$32,488,000 incurred for the share subscriptions that were completed on 5 February 2016, those related expenses have already been fully settled; (ii) currency exchange loss of approximately HK$39,803,000, caused by the depreciation of Chinese Renminbi against Hong Kong dollars arising from the Group's healthcare and wellness operations in the People's Republic of China ("China") during the year under review; and (iii) segment loss of HK$36,317,000 recorded for the entertainment and media operations, mainly due to impairment provisions required for certain film rights assets.

The Company officially completed its share subscriptions on 5 February 2016, upon which Huayi Brothers Media Corporation ("Huayi Brothers") and Tencent Holdings Limited ("Tencent") have become controlling shareholders of the Company. During the year under review, the Group actively sought quality projects, as well as opportunities for direct mergers and acquisitions or collaborations 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, both domestically and internationally, and to expanding its entertainment, cultural and media operations in robust markets such as the U.S. and South Korea. During the year under review, the Group invested approximately HK$500 million in a number of global movie projects and proposed to acquire 30% of equity interest in HB Entertainment Co., Ltd. ("HB Entertainment"), a company based in South Korea, at a consideration equivalent to approximately HK$300 million. The first stage of the acquisition was completed in August 2016, and the Group currently holds approximately 22% of equity interest in HB Entertainment. During the year under review, our entertainment and media operations recorded a revenue of approximately HK$11,825,000, representing an increase of 21% in comparison to that of the previous year; however, as the operation was still in its early stage of expansion, added with the need to make impairment provisions for some of the film rights assets, the entertainment and media operations segment recorded a loss of approximately HK$36,317,000. Further, due to a drastic drop in the import of film and TV productions from South Korea into Mainland China since the fourth quarter of 2016, share of results of HB Entertainment amounted to approximately HK$1,624,000 only.

In terms of healthcare services, the Group provided online and offline healthcare solutions in Mainland China during the year under review, which mainly comprised of "Beijing Bayhood No. 9 Club", a high-end healthcare and wellness centre and operations of "Kangxun Xuetang", a cloud-based healthcare service platform. During the year under review, operations of online healthcare services and offline healthcare and wellness services generated revenue of HK$7,309,000 and HK$116,499,000, respectively, representing an increase of approximately 276% and 5% in comparison to the previous year; and their segment results showed a loss of HK$14,283,000 and a profit of HK$7,828,000, respectively.

In addition, Beijing Hua Yi Hao Ge Media Culture Co., Ltd. (a wholly-owned subsidiary of the Company) acquired 50% of equity interest in Beijing Hao You Media Culture Co., Ltd. (formerly known as "Asia Union Film and Media") ("Hao You") from Poly Culture Group Corporation Limited, at a consideration of RMB80 million. The acquisition was completed on 1 December 2016, and the Company now holds the entire equity interest in Hao You, which is to be sold in its entirety.

Business Review

In 2016, China's film industry returned to a more rational phase of development. In addition to showing promising signs for the film industry's long-term development, the film market also maintained its rapid growth. A total of 772 dramas were produced during 2016, 86 more than that in 2015, representing an increase of 12.54%. Cinema attendance recoded a year-on-year increase of 8.89% to RMB1.372 billion, overtaking that in North America for the first time. 9,552 new screens were installed in the year, bringing the total screen count to 41,179, the single largest figure around the globe. Annual box-office revenue totalled RMB45.712 billion in 2016.

In 2016, world-wide box office receipts stood at a total of US$38.1 billion, while Hollywood productions recorded a revenue of US$28.9 billion, or 76% of the global total; the Chinese market, now growing at a pace never seen before, contributed 19% of the global box office receipts and a substantial proportion of the overseas market for U.S. films.

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 film 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 film and entertainment industry is a fast-growing sector in the Chinese market. In order to seize opportunities arising from the rapid development in the Chinese film industry and to take a share for animations and Hollywood films in Chinese market, the Group brought in Huayi Brothers and Tencent as its strategic shareholders in 2015. On one hand, Huayi Brothers has established channels for co-producing films and animations with Hollywood and South Korea as well as investment; on the other hand, Tencent owns one of the most influential internet platforms across China. Both parties would provide the Group with substantial resources to seize opportunities in the golden age of China's culture and entertainment industry. A series of share subscriptions generated proceeds of approximately HK$547 million for the Company. The entire amount of these proceeds 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.

The ten film production projects in collaboration with China Lion Entertainment included *Kill Me Now*, an action comedy by Peter Segal, director of *50 First Dates* and *Grudge Match*, as well as *Spaghetti VS. Noodle*, the screenwriters of which included Pete Chiarelli, who was also screenwriter of *Now You See Me 2* and *The Proposal*. Starring top stars from China and the U.S., these two films are scheduled to be released globally in 2018. The collaborated projects will also include *OZI*, an animated film collaborated by parties from China, the UK and the U.S., and *Extinct*, an animated film produced by the production team of *The Simpsons Movie* and collaborated by parties from China, the UK and Canada. China Lion Entertainment is the largest producer and distributor of Chinese films and TV programmes in North America, owning an extensive network locally. The collaboration with China Lion Entertainment will facilitate the engagement of production teams of the greatest potential and top stars from Hollywood.

During the year 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. In terms of the North American markets, the local premiere of *Rock Dog* was held by Lionsgate Entertainment and Summit Entertainment on 24 February 2017, featuring over 2,000 screens. *Rock Dog* has made history as the first-ever Chinese made animated film massively distributed overseas. As of the date of this results announcement, *Rock Dog* recorded total box office receipts of over US$9 million in North America. In addition, *Rock Dog* is expected to be distributed worldwide across Asia, Europe, Oceania and Latin America in 2017. This, coupled with the large animation DVD and TV market in North America, is expected to generate revenue for the Group continuously in 2017.

During the year under review, the Group proposed to subscribe for 23,334 convertible preferred shares 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 and HB Corporation at an aggregate purchase price of KRW28,084,800,000 (equivalent to approximately HK$185,400,000). The first stage of the acquisition was completed at the end of August, and the Group currently holds approximately 22% of the enlarged issued share capital of HB Entertainment. The Company's shareholdings will gradually increase to 30% by early 2018.

HB Entertainment is primarily engaged in the production and investment of films and TV dramas in South Korea. Its new TV series *Cinderella and Four Knights* debuted on TVN in South 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 broadcast simultaneously in China and South Korea after *Descendants of the Sun*. Immediately after its debut, the series has captured great attention from Korean audience, with a debut rating of 3.5% 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 more than 900 million views and a rating of 8.5 as of 1 March 2017. Directed by Kwak Jung-hwan and starring Ji Chang-wook, Song Yoon-ah, etc., *The K2* debuted in September 2016 and recorded an average viewership rate as high as 4.865% in South Korea, topping the list of drama programmes. However, *The K2* has not yet been broadcast in Mainland China as a result of the sharp decrease in the import of Korean TV productions into Mainland China in the fourth quarter of 2016.

Following the business development pattern of our controlling shareholder Huayi Brothers, the Group commenced content investment and production during the year under review. The Group is in negotiation about collaborating with first-class directors, aiming to gradually build 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) Healthcare and Wellness Services

The Group's healthcare solutions segment includes the operations of "Beijing Bayhood No. 9 Club", an offline healthcare and wellness centre, and "Kangxun Xuetang", an online platform targeted at managing chronic diseases such as diabetes.

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 in mid-2015. Featuring themes of dining, leisure and healthcare, the centre serves middle to high-end clients who are conscious of their wellbeing. During the year under review, the business of offline healthcare and wellness services remained stable and contributed revenue of approximately HK$116,499,000 to the Group, representing a year-on-year increase of 5%.

The market for China's online healthcare business has the potential for growth. The Group's online healthcare business has taken up some market shares, and the Group has cooperated with insurance companies in launching "Healthcare Stations" in more than 10 provinces in China. However, as even the industry leaders in this sector have yet to figure out a suitable profit-making model, the entire sector is still groping its way towards the right direction. During the year under review, the business recorded revenue of approximately HK$7,309,000, accounting for only 5% of the Group's total revenue, while the revenue growth failed to meet expectations. The business has been loss-making for the third consecutive year, posting a loss of approximately HK$14,283,000 for the year under review. As the national authority and insurance companies impose stricter requirements on physical examinations and blood glucose tests conducted at facilities other than hospitals, the operating costs of online healthcare services, in particular, physical examination service provided by "Healthcare Stations", will be set to rise further. Having considered the development and prospect of this sector in a prudent manner, the management of the Company had reduced the investment into the online healthcare business significantly during the year under review, with a view to curbing loss. The management had also considered various feasible options actively, including further reducing the investment in and size of the business, introducing other investors and partners, and even disposing of the business in whole or in part.

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-tier and third-tier cities. Driven by the strong demand of the audience group, the number of screens in China currently grows at a rate of over 10% year on year. 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, of which the film industry is going to become a RMB200 billion sector by 2020.

As the largest film market in the world, North America outperforms most of the world in terms of box office receipts and number of 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, leading to 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 opportunities to collaborate with or invest jointly with world-class directors and well-known studios from Hollywood, and expand the Group's portfolio of projects. Separately, given the flourishing development of films, TV programmes and music in Korea, as well as their rising influence in the international market, it is expected that the investments in the production of Korean films and TV programmes will generate considerable and long-lasting revenue for the Group.

In respect of healthcare and wellness services, the Group anticipates that the operation of the offline healthcare and wellness centre "Beijing Bayhood No. 9 Club" will remain steady and continue to maintain a stable revenue stream for the Group in the future. However, as online healthcare services have been loss-making for the third consecutive year, with the revenue growth failing to meet expectations, while no enterprises in the market have succeeded in exploring a suitable and sustainable profit-making model, the Group will further reduce the investment in and size of the business, actively introduce other investors and partners, and even consider disposing of the business in whole or in part.

Environmental & Social Responsibilities

The Group has been adhering to the corporate philosophy of "Integrity First" and committed to the core values of "innovation, efficiency, advancement and elevation". While seeking business growth, the Group strives to fulfil its environmental and social responsibilities, and actively implements the principle of sustainable development, with an aim to create sustainable value for all stakeholders including shareholders, employees, customers and suppliers.

a) Environmental responsibilities

Committed to developing an "eco-friendly" industry, the Group strictly abides by laws and regulations on environmental protection, reviews its environmental management policies regularly and has taken certain measures to minimise the impact of its business activities on the environment.

The Group keeps enhancing the monitoring of its emissions, adopts environmental friendly technologies and uses raw materials compliant with environmental protection standards. On the basis of compliance with emission standards, the Group strives to reduce the generation and emission of waste gas, greenhouse gas, sewage and waste.

The Group focuses on the use of energy and resources in its daily operation, and implements an energy-saving scheme and recycling of resources to ensure the mitigation of environmental impact and the improvement of operational efficiency.

b) Social responsibilities

The Group actively fulfils its social responsibilities and complies with various regulatory requirements on employment, labour standards, supply chain management, product responsibility and anti-corruption. The Group cares for the community and the disadvantaged group, while promoting harmonious relationship with stakeholders including investors, employees, customers, suppliers, the government and the community, with an aim to maximise social benefits through concerted efforts.

Adhering to a "people-centric" principle, the Group creates a fair, safe, healthy and pleasant work environment for its employees. The Group provides a full range of training and career development plans and enhances its performance management system, helping employees to capitalise on their strengths and achieve personal growth. The Group abides by the Labour Law of the People's Republic of China and employment laws applicable to relevant jurisdictions where its operations are located, and protects all legitimate interests of its employees.

As part of the Group's strict supplier management system, suppliers are selected based on the quality and pricing of products and services, while site visits are conducted to ensure that suppliers meet the Group's standards in terms of production capacity, technical level, supply capacity and the quality of their safety and environmental management. During the contract term, the Group conducts regular reviews on the quality, environmental and social risks of the products and services provided by suppliers, so as to ensure the safe and smooth operation of the supply chain. In the meantime, the Group takes measures to enhance communication and maintain long-lasting and stable relationships with suppliers.

Committed to providing customers with quality products and services, the Group keeps improving the communication channels and the complaint processing mechanism. The Group safeguards customers' interests to the fullest extent by recognizing and making prompt responses to their feedback as well as keeping customer information strictly confidential.

The Group has always been participating in community services, making efforts to promote community development and social harmony. In its daily operation, the Company also strictly complies with laws on anti-corruption, bribery, abusive conduct, money laundering, etc., adhering to compliant operation and meeting the requirements and expectations of the government and regulators.

Financial Review

Continuing Operations

Revenue for the year ended 31 December 2016 amounted to approximately HK$135,633,000 (2015: HK$122,838,000), being a 10% increase comparing to the prior year, and all segment revenues recorded an increase during the year. During the year, the Group has made heavy investment of approximately HK$500 million into the expansion of "Entertainment and Media" segment. Yet, it still takes time for such investments to be realized as revenue. As such, although the revenue from "Entertainment and Media" segment increased by 21% comparing to the prior year, it still only accounts for approximately 9% (2015: 8%) of the Group's revenue. 86% (2015: 90%) of the revenue during the year arose from the "Offline Healthcare and Wellness Services" segment, which recorded a stable 5% increase in revenue during the year. The "Online Healthcare Services" segment, which generates revenue mainly from the operations of "Healthcare Stations" in more than 10 provinces in China in hands with insurance companies, started to be revenue-generating since 2015, but the growth pace of sales revenue is not as fast as expected, contributing only 5% (2015: 2%) of the Group's revenue.

Cost of sales for the year ended 31 December 2016 amounted to approximately HK$113,842,000 (2015: HK$67,659,000), being a 68% increase comparing to the prior year. The significant increase is mainly attributed to the "Entertainment and Media" segment, resulting from the impairment of certain film rights amounting to approximately HK$44,051,000. Discounting such factor, cost of sales for the year in fact slightly increased by 3% amid 10% increase in revenue.

Other expenses and other losses, net, for the year amounted to approximately HK$40,310,000 (2015: other income and other gains, net, of approximately HK$153,661,000), which comprised mainly exchange loss of approximately HK$39,803,000 (2015: HK$33,575,000) arising from the significant depreciation of Renminbi against Hong Kong dollars during the year. In the prior year, however, a net gain on financial assets at fair value through profit or loss of approximately HK$180,687,000 was also recorded, while for current year there was a net loss on financial assets at fair value through profit or loss of approximately HK$4,700,000.

Marketing and selling expenses for the year ended 31 December 2016 amounted to approximately HK$4,069,000 (2015: HK$23,421,000), being an 83% decrease comparing to the prior year. Marketing and selling expenses during the year 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 year ended 31 December 2016 amounted to approximately HK$117,983,000 (2015: HK$136,564,000), being a 14% decrease comparing to the prior year. The fluctuation is mainly due to the following factors:

– During the year ended 31 December 2015, the Group has recorded provision for impairment of construction in progress and prepayments of approximately HK$6,517,000 and HK$22,182,000 respectively, while no such provision was recorded during the year; and

– The Group has incurred legal and professional fees, most of which was incurred for the share subscription completed in February 2016, of approximately HK$32,488,000 during the year, while legal and professional fees from continued operations for the prior year amounted to approximately HK$16,802,000 only.

Share of results of an associate for the current year represented the share of results of HB Entertainment which become a 22%-owned associated company of the Group since August 2016. The financial performance of HB Entertainment, similar to other content production companies in South Korea, is also affected by the prominent decrease in the export of TV drama contents to the PRC since the fourth quarter of 2016.

Share of results of joint ventures, mainly represents the Group's share of loss of the Travel Channel operations, for the year ended 31 December 2015 amounted to approximately HK$12,544,000. As the investment in joint venture has already been fully impaired as at 31 December 2015 (provision for impairment of interests in joint ventures and amount due from a joint venture amounting to approximately HK$164,124,000 was recorded in the prior year), no further share of results of joint ventures was recorded during the year. As further detailed in notes 15 and 16 to this results announcement, management has intended to dispose of the entire shareholding in Hao You including the Travel Channel operations.

Finance income, net for the year ended 31 December 2016 amounted to approximately HK$233,000 (2015: finance costs, net of approximately HK$220,000). Such amounts represented imputed finance income/costs on discounting non-current rental deposits received/paid and are all non-cash items in nature. The Group has not incurred any borrowing as of 31 December 2016.

Discontinued Operations

The gain from discontinued operations for the year ended 31 December 2016 arose from the intended disposal of the entire shareholding in Hao You (including the Travel Channel operations) following the completion of step acquisition on 1 December 2016. Further details of the intended disposal are disclosed in notes 15 and 16 to this results announcement.

The loss from discontinued operations for the year ended 31 December 2015 arose from the very substantial disposal in relation to the Beijing Healthcare and Wellness Si He Yuan and Hotel project which has been completed on 6 October 2015. Part of the considerations of the disposal is in the form of share entitlement notes issued by the purchaser (which is a company listed on The Stock Exchange of Hong Kong Limited). The market share price of the purchaser has dropped by the time of the completion of the disposal comparing to the time of the signing of the relevant agreements for the disposal, leading to a significant loss on disposal during the year. The said share entitlement notes have been fully distributed to the Company's shareholders after completion of the disposal. Details of the disposal are disclosed in note 16 to this results announcement.

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 2016, the Group held cash and cash equivalents of approximately HK$70,842,000 (2015: HK$280,400,000), being a 75% decrease comparing to the balance as at 31 December 2015. Although the Group has completed a share subscription in February 2016 and has raised funds of approximately HK$547 million, the Group has also made heavy investments in content productions and has completed the acquisition of minority interests in HB Entertainment during the year, leading to decrease in cash and cash equivalents balance.

The Group is at net current asset position of HK$336,963,000 as at 31 December 2016 (2015: HK$460,631,000). The current ratio, representing the total current assets to the total current liabilities, decreased from 6.36 as at 31 December 2015 to 5.39 as at 31 December 2016. This is in line with the decrease in cash and cash equivalents balance, which has been utilized to invest in contents and investment in associates which are mostly non-current assets. Nevertheless, with a 5.39-time current ratio with no borrowing, the Group still maintains a very healthy liquidity position.

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

Foreign Currency Exchange Exposure

The Group mainly operates in China and Hong Kong and is exposed to foreign exchange risk arising from Chinese Renminbi currency exposures, primarily with respect to the Hong Kong dollars. During the year, depreciation in Chinese Renminbi against Hong Kong dollars resulted in the significant exchange loss of approximately HK$39,803,000 (2015: HK$33,575,000). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure from Chinese Renminbi but manages through constant monitoring to limit as much as possible its net exposures.

In August 2016, the Group has completed the acquisition of a minority interests in HB Entertainment in South Korea and the investment was classified as Interests in Associates. The consideration for the acquisition was denominated in Korean Won ("KRW"). The Group has settled partial considerations of approximately KRW 27.0 billion during the year ended 31 December 2016. The Group is expected to make further settlement of considerations of approximately KRW12.3 billion in 2017. The Group is currently in negotiation of entering into forward contract arrangements or through other similar means to hedge its foreign currency exposure from KRW regarding the expected settlement in 2017.

Capital Structure

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

During the year ended 31 December 2016, the Company has issued (i) 6,837,620,000 new ordinary shares upon completion of share subscriptions at HK$0.08 per share. During the year ended 31 December 2015, the Company has issued (i) 12,000,000 new ordinary shares upon conversion of convertible notes at HK$0.20 per share; and (ii) 88,582,706 new ordinary shares upon share option exercise at a weighted average exercise price of HK$0.40 per share.

Convertible notes with principal amount of RMB569 million, among others, were issued in October 2012 to finance the acquisition of the development and operating rights of the 580 Chinese acres land for the Beijing Healthcare and Wellness Si He Yuan and Hotel project. During the year ended 31 December 2015, the Company has redeemed all outstanding convertible notes at maturity date of 22 October 2015 in cash of HK$18,600,000.

Charge of Assets and Contingent Liabilities

As at 31 December 2016 and 2015, 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 2016, the Group employed a total of 72 (2015: 83) full-time employees in Hong Kong and the PRC, and continued to manage "Bayhood No.9 Club" operations with 451 (2015: 470) 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 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 is committed to achieving high standards of corporate governance. Throughout the year ended 31 December 2016, the Company has applied the principles and met the code provisions of the Corporate Governance Code (the "CG Code") with the exception of the following deviations:–

1. **Code Provision A.2.1**

   Under the code provision A.2.1 of the CG Code, the roles of chairman ("Chairman") and chief executive officer ("CEO") of the Group should be separate and should not be performed by the same individual. During the period from 1 January 2016 to the date of this Announcement, the role of Chairman and CEO have not been separated. Mr. YUEN Hoi Po was the Chairman and CEO of the Company for the period from 1 January 2016 to 5 February 2016. From then on, Mr. WANG Zhongjun has been appointed as the Executive Director and has performed the roles of Chairman and CEO.

   The Board believes that it is appropriate and in the interests for the same individual to serve 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. Hugo SHONG and Mr. Edward TIAN Suning (both resigned in February 2016) were unable to attend the extraordinary general meeting held on 1 February 2016.

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 2016 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 2016 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 PERSONS

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 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 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 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, 24 March 2017

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