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 | |
|---|---|---|
| | **2018** | 2017 |
| | | (Restated) |
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations:** | | |
| Total sales revenue | **58,084** | 61,487 |
| Gross profit/(loss) | **19,634** | (31,546) |
| Loss before finance costs and taxation | **(23,320)** | (68,916) |
| Loss before income tax | **(23,331)** | (68,929) |
| Loss for the period | **(23,407)** | (69,273) |
| **Loss for the period from discontinued operations** | **(52)** | (3,400) |
| **Loss for the period** | **(23,459)** | (72,673) |

- Loss for the six months ended 30 June 2018 narrowed down by 68% to HK$23,459,000, as no further impairment provision was made in the first half of 2018, while an impairment provision totalling HK$63,089,000 was made during the six months ended 30 June 2017 for certain film rights, prepayments and investment in an associate.

- *Partners for Justice*, an HB Entertainment production premiered in Korea on 14 May 2018, received exceptional response from audience. According to MBC statistics on viewership, *Partners for Justice* received an average rating of 6.86%, topping at 9.6%.

- Huayi-Warner Contents Fund planned to release five Korean films in 2018, including *The Witch* released in June 2018. It ranked first in terms of box office in opening weekend in Korea, and has recorded Korean domestic box office receipts of over US$24 million and a cinema attendance of over 3.10 million as of the date of this interim results announcement.

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 2018, together with the comparative figures for the corresponding period in 2017. 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 2018*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2018** | 2017 |
| | | **(Unaudited)** | (Unaudited) |
| | | | (Restated) |
| | | | *(Note 18)* |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Continuing Operations** | | | |
| Revenue | *6* | **58,084** | 61,487 |
| Cost of sales | | **(38,450)** | (93,033) |
| Gross profit/(loss) | | **19,634** | (31,546) |
| Other income and other gains/(losses), net | *6* | **126** | 21,439 |
| Marketing and selling expenses | | **(297)** | – |
| Administrative expenses | | **(42,081)** | (57,994) |
| Share of result of an associate | | **(702)** | (815) |
| | | **(23,320)** | (68,916) |
| Finance cost, net | *7* | **(11)** | (13) |
| Loss before taxation | *8* | **(23,331)** | (68,929) |
| Taxation | *9* | **(76)** | (344) |
| Loss for the period from continuing operations | | **(23,407)** | (69,273) |
| **Discontinued Operations** | | | |
| Loss for the period from discontinued operations | *18* | **(52)** | (3,400) |
| Loss for the period | | **(23,459)** | (72,673) |
| Loss attributable to: | | | |
| Equity holders of the Company | | | |
| – continuing operations | | **(23,978)** | (69,901) |
| – discontinued operations | | **(52)** | (3,400) |
| | | **(24,030)** | (73,301) |
| Non-controlling interest | | | |
| – continuing operations | | **571** | 628 |
| | | **(23,459)** | (72,673) |

| | Note | Six months ended 30 June 2018 (Unaudited) HK cents | 2017 (Unaudited) (Restated) *(Note 18)* HK cents |
|---|---|---|---|
| **Loss per share attributable to equity holders of the Company for the period** | | | |
| Basic and diluted loss per share | *10* | | |
| – from continuing operations | | **(0.18)** | (0.52) |
| – from discontinued operations | | **–** | (0.02) |
| | | **(0.18)** | (0.54) |

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2018*

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| | | *(Note 18)* |
| | ***HK$'000*** | *HK$'000* |
| Loss for the period | **(23,459)** | (72,673) |
| Other comprehensive income: | | |
| *Items that may be subsequently reclassified to profit or loss* | | |
| Fair value loss on available-for-sale financial assets | **–** | (319) |
| Currency translation differences | **529** | (8,837) |
| Other comprehensive income/(loss) for the period, net of tax | **529** | (9,156) |
| Total comprehensive loss for the period | **(22,930)** | (81,829) |
| Total comprehensive loss attributable to: | | |
| Equity holders of the Company | | |
| – continuing operations | **(21,243)** | (87,341) |
| – discontinued operations | **(2,260)** | 4,918 |
| | **(23,503)** | (82,423) |
| Non-controlling interest | | |
| – continuing operations | **573** | 594 |
| | **(22,930)** | (81,829) |

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

*As at 30 June 2018*

| | Note | **30 June 2018 (Unaudited)** *HK$'000* | 31 December 2017 (Audited) *HK$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *12* | **6,738** | 7,059 |
| Film right and film production in progress | *13* | **122,409** | 212,853 |
| Other intangible assets | | **2** | 5 |
| Interest in an associate | *14* | **277,382** | 177,619 |
| Available-for-sale financial assets | *4* | **–** | 18,971 |
| Financial assets at fair value through profit or loss | *15* | **7,052** | – |
| Deferred income tax assets | | **–** | 1,091 |
| Prepayments, deposits and other receivables | | **31,485** | 52,708 |
| | | **445,068** | 470,306 |
| **Current assets** | | | |
| Trade receivables | *16* | **11,374** | 10,877 |
| Programmes and film production in progress | | **–** | 4,785 |
| Prepayments, deposits and other receivables | | **38,497** | 30,787 |
| Cash and cash equivalents | | **113,442** | 128,369 |
| | | **163,313** | 174,818 |
| Assets of disposal group classified as held for sale | *18* | **259,341** | 262,741 |
| | | **422,654** | 437,559 |
| **Total assets** | | **867,722** | 907,865 |

| | Note | **30 June 2018 (Unaudited) *HK$'000*** | 31 December 2017 (Audited) *HK$'000* |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity attributable to the equity holders of the Company | | | |
| Share capital | *17* | **269,962** | 269,962 |
| Reserves | | **582,647** | 606,150 |
| | | **852,609** | 876,112 |
| Non-controlling interest | | **–** | (154) |
| **Total equity** | | **852,609** | 875,958 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Other payables | | **–** | 15,060 |
| Deferred income tax liabilities | | **230** | 253 |
| | | **230** | 15,313 |
| **Current liabilities** | | | |
| Receipt in advance, other payables and accrued liabilities | | **12,732** | 14,386 |
| Income tax liabilities | | **–** | 3 |
| | | **12,732** | 14,389 |
| Liabilities of disposal group classified as held for sale | *18* | **2,151** | 2,205 |
| | | **14,883** | 16,594 |
| **Total liabilities** | | **15,113** | 31,907 |
| **Total equity and liabilities** | | **867,722** | 907,865 |

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT**
*For the six months ended 30 June 2018*

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Net cash generated from operating activities** | **81,265** | 10,603 |
| **Cash flows from investing activities** | | |
| Bank interest received | **831** | 407 |
| Investment in an associate | **(91,357)** | – |
| Investment in available-for-sale financial assets | **–** | (6,814) |
| Purchase of property, plant and equipment | **(1,424)** | (3,185) |
| Net proceeds from disposal of a subsidiary, net of cash and cash equivalent included in the subsidiary disposed of | **(3,752)** | – |
| **Net cash used in investing activities** | **(95,702)** | (9,592) |
| Net (decrease)/increase in cash and cash equivalents | **(14,437)** | 1,011 |
| Cash and cash equivalents at 1 January | **128,626** | 70,842 |
| Currency translation differences | **(698)** | 779 |
| Cash and cash equivalents at 30 June | **113,491** | 72,632 |
| Analysis of cash and cash equivalents: | | |
| Cash and cash equivalents of the Group | **113,491** | 72,632 |
| Reclassification to assets of disposal group held for sale *(Note 18)* | **(49)** | (204) |
| | **113,442** | 72,428 |

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2018*

| | (Unaudited) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the Company | | | | | | | | | |
| | **Share capital** | **Share premium** | **Merger reserve** | **Capital redemption reserve** | **Available-for-sale financial assets reserve** | **Currency translation reserve** | **Accumulated losses** | **Total** | **Non-Controlling Interest** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Balance at 1 January 2018 | **269,962** | **1,213,484** | **860,640** | **1,206** | **56** | **73,734** | **(1,542,970)** | **876,112** | **(154)** | **875,958** |
| Change in accounting policy *(Note 4)* | **–** | **–** | **–** | **–** | **(56)** | **–** | **56** | **–** | **–** | **–** |
| Restated total equity as at 1 January 2018 | **269,962** | **1,213,484** | **860,640** | **1,206** | **–** | **73,734** | **(1,542,914)** | **876,112** | **(154)** | **875,958** |
| (Loss)/profit for the period | **–** | **–** | **–** | **–** | **–** | **–** | **(24,030)** | **(24,030)** | **571** | **(23,459)** |
| Other comprehensive income | **–** | **–** | **–** | **–** | **–** | **527** | **–** | **527** | **2** | **529** |
| Total comprehensive income/(loss) | **–** | **–** | **–** | **–** | **–** | **527** | **(24,030)** | **(23,503)** | **573** | **(22,930)** |
| Transaction with owners in their capacity as owners: | | | | | | | | | | |
| Disposal of a subsidiary *(Note 19)* | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(419)** | **(419)** |
| Balance at 30 June 2018 | **269,962** | **1,213,484** | **860,640** | **1,206** | **–** | **74,261** | **(1,566,944)** | **852,609** | **–** | **852,609** |
| Balance at 1 January 2017 | 269,962 | 1,213,484 | 860,640 | 1,206 | – | 99,384 | (1,439,301) | 1,005,375 | (1,506) | 1,003,869 |
| (Loss)/profit for the period | – | – | – | – | – | – | (73,301) | (73,301) | 628 | (72,673) |
| Other comprehensive loss | – | – | – | – | (319) | (8,803) | – | (9,122) | (34) | (9,156) |
| Total comprehensive (loss)/income | – | – | – | – | (319) | (8,803) | (73,301) | (82,423) | 594 | (81,829) |
| Balance at 30 June 2017 | 269,962 | 1,213,484 | 860,640 | 1,206 | (319) | 90,581 | (1,512,602) | 922,952 | (912) | 922,040 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

Huayi Tencent Entertainment Company Limited (the "Company") and its subsidiaries (together, the "Group") is principally engaged in (i) entertainment and media business; and (ii) provision of 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.

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 20 August 2018.

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 2018 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

## 3. ACCOUNTING POLICIES

### (i) Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new accounting Standards effective for the financial year ending 31 December 2018 as described in Note 4.

***Impact of standards issued but not yet applied by the Group***

*HKFRS 16 Leases*

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases. The standard replaces HKAS 17 'Leases' and related interpretations. The Group is a lessee of office premises and operation rights of "Beijing Bayhood No.9 Club" which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2(v) to the consolidated financial statements for the year ended 31 December 2017. The Group had total future minimum lease payments under non-cancellable operating leases of HK$2,888,000, which are not reflected in the condensed consolidated interim balance sheet.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognize certain leases outside of the consolidated balance sheet. Instead, all non-current leases must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in right-of-use asset and an increase in financial liability in the consolidated balance sheet. This will affect related ratios, such as increase in debt to capital ratio. In the consolidated income statement, leases will be recognized in the future as depreciation and amortization and will no longer be recorded as property rental and related expenses. Interest expense on the lease liability will be presented separately from depreciation and amortization under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortization and the interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The accounting for lessors will not significantly change. The new standard is not expected to apply until the financial year 2019, including the adjustment of prior years. Management expects the impacts on the Group's financial results and position upon the adoption of HKFRS16 are not material.

## 4. NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

A number of new or amended standards have become applicable for the current reporting period and the Group has changed its accounting policies and make retrospective adjustments as a result of adopting the following standards:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers |

The impact of the adoption of these standards and the new accounting policies are disclosed in this note. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

**Impact on the condensed consolidated interim financial information**

As explained in Note 4(i) and 4(ii) below, HKFRS 9 and HKFRS 15 were generally adopted by the Group without restating comparative information. As a result of the changes in the entity's accounting policies, certain reclassifications and adjustments are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognized in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more details below.

| | 31 December 2017 As originally presented | HKFRS 9 | HKFRS 15 | 1 January 2018 Restated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Non-current assets** | | | | |
| Available-for-sale financial assets | 18,971 | (18,971) | – | – |
| Financial assets at fair value through profit or loss | – | 18,971 | – | 18,971 |
| **Equity** | | | | |
| Available-for-sale financial assets reserve | 56 | (56) | – | – |
| Accumulated losses | (1,542,970) | 56 | – | (1,542,914) |

### (i) HKFRS 9 "Financial Instruments"

#### *(a) Impact of adoption*

HKFRS 9, "Financial instruments", addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The adoption of HKFRS 9 has resulted in changes in the Group's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. The new accounting policies are set out in Note 4(i)(b) below.

*Classification and measurement*

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 measurement categories including those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and those to be measured at amortized cost.

The Group's financial assets include cash and cash equivalents, trade and other receivables, convertible preference stock and unlisted investment fund.

*Reclassification from available-for-sale to financial asset at fair value through profit or loss ("FVPL")*

The convertible preference stock and unlisted investment fund of the Group with fair value of HK$18,971,000 at 1 January 2018 was reclassified from available-for-sale financial assets to financial asset at FVPL. They do not meet the HKFRS 9 criteria for classification at amortized cost, because their cash flows do not represent solely payment of principal and interest.

Related fair value gains of HK$56,000 were transferred from the available-for-sale financial asset reserve to accumulated losses on 1 January 2018. During the six months ended 30 June 2018, net fair value gain of HK$152,000 relating to the investments was recognized in the condensed consolidated interim income statement.

Other than that, there were no changes to the classification and measurement of financial instruments.

*Impairment of financial assets*

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. The Group's trade and other receivables are financial assets measured at amortized cost and are subject to HKFRS 9's new expected credit loss model.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established expected credit losses model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of expected credit losses on financial assets is insignificant as at 1 January 2018.

***(b) Summary of significant accounting policies***

The following describes the Group's updated financial instruments policy to reflect the adoption of HKFRS 9:

Classification and measurement of financial instruments

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

*Recognition and measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

*Equity investments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognized in the consolidated income statement as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other income and gains' in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

*Impairment of financial assets*

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

**(ii) HKFRS 15 "Revenue from Contracts with Customers"**

***(a) Impact of adoption***

HKFRS 15, "Revenue from contracts with customers" ("HKFRS 15") deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations.

The Group has adopted HKFRS 15 from 1 January 2018 which do not have any material impact on the Group's condensed consolidated interim financial information.

## 5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the management committee which comprises the chief executive officer and the chief financial officer of the Group. The management committee reviews the Group's internal reporting in order to assess performance and allocate resources. The management committee has determined the operating segments based on these reports.

The management committee has determined that the Group is organized into two main operating segments from continuing operations: (i) Entertainment and media businesses; and (ii) Offline healthcare and wellness services. The online healthcare service segment, which was separately disclosed in the prior period, was disposed of during the year ended 31 December 2017 and the operating results of which is included in loss from discontinued operations. The management committee measures the performance of the segments based on their respective segment results. The segment results derived from (loss)/profit before taxation, excluding exchange (losses)/gains, net, finance costs, net and unallocated expenses, net. Unallocated expenses, 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 (2017: Nil).

### (a) Business segment

The segment results for the six months ended 30 June 2018 are as follows:

| | Entertainment and media (Unaudited) *HK$'000* | Offline healthcare and wellness service (Unaudited) *HK$'000* | Total continuing operations (Unaudited) *HK$'000* | Discontinued operation: Entertainment and media Beijing Hao You Media Culture Co., Ltd. ("Hao You") (Unaudited) *HK$'000* | Total (Unaudited) *HK$'000* |
|---|---|---|---|---|---|
| Revenue | 1,139 | 56,945 | 58,084 | – | 58,084 |
| Share of result of an associate | (702) | – | (702) | – | (702) |
| Segment results | (7,979) | (3,514) | (11,493) | (52) | (11,545) |
| Exchange losses, net | | | (4,190) | – | (4,190) |
| Unallocated expenses, net | | | (7,637) | – | (7,637) |
| | | | (23,320) | (52) | (23,372) |
| Finance costs, net | | | (11) | – | (11) |
| Loss before taxation | | | (23,331) | (52) | (23,383) |
| Taxation | | | (76) | – | (76) |
| Loss for the period | | | (23,407) | (52) | (23,459) |
| Non-controlling interest | | | (571) | – | (571) |
| Loss for the period attributable to equity holders of the Company | | | (23,978) | (52) | (24,030) |

| | Entertainment and media (Unaudited) *HK$'000* | Offline healthcare and wellness service (Unaudited) *HK$'000* | Total continuing operations (Unaudited) *HK$'000* | Discontinued operation: Entertainment and media - Hao You (Unaudited) *HK$'000* | Total (Unaudited) *HK$'000* |
|---|---|---|---|---|---|
| Segment assets | **427,191** | **64,860** | **492,051** | **259,341** | **751,392** |
| Unallocated assets | | | **116,330** | **–** | **116,330** |
| Total assets | | | **608,381** | **259,341** | **867,722** |
| Segment liabilities | **3,470** | **8,636** | **12,106** | **2,151** | **14,257** |
| Unallocated liabilities | | | **856** | **–** | **856** |
| Total liabilities | | | **12,962** | **2,151** | **15,113** |
| Other Information: | | | | | |
| Purchases of property, plant and equipment | | | | | |
| – Allocated | **–** | **1,442** | **1,442** | **–** | **1,442** |
| – Unallocated | | | **966** | **–** | **966** |
| Depreciation | | | | | |
| – Allocated | **–** | **1,559** | **1,559** | **–** | **1,559** |
| – Unallocated | | | **845** | **–** | **845** |
| Amortization of film right | **747** | **–** | **747** | **–** | **747** |
| Amortization of other intangible assets | **–** | **3** | **3** | **–** | **3** |

The segment results for the six months ended 30 June 2017 are as follows:

| | Entertainment and media (Unaudited) | Offline healthcare and wellness service (Unaudited) | Total continuing operations (Unaudited) (Restated) *(Note 18)* | Discontinued operation: Entertainment and media - Hao You (Unaudited) | Discontinued operation: Online healthcare service (Unaudited) (Restated) *(Note 18)* | Total (Unaudited) |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | 5,569 | 55,918 | 61,487 | – | 5,845 | 67,332 |
| Share of result of an associate | (815) | – | (815) | – | – | (815) |
| Segment results | (71,374) | (7,874) | (79,248) | 97 | (3,497) | (82,648) |
| Exchange gains, net | | | 21,034 | – | – | 21,034 |
| Unallocated expenses, net | | | (10,702) | – | – | (10,702) |
| | | | (68,916) | 97 | (3,497) | (72,316) |
| Finance costs, net | | | (13) | – | – | (13) |
| (Loss)/profit before taxation | | | (68,929) | 97 | (3,497) | (72,329) |
| Taxation | | | (344) | – | – | (344) |
| (Loss)/profit for the period | | | (69,273) | 97 | (3,497) | (72,673) |
| Non-controlling interest | | | (628) | – | – | (628) |
| (Loss)/profit for the period attributable to equity holders of the Company | | | (69,901) | 97 | (3,497) | (73,301) |

| | Entertainment and media (Unaudited) | Offline healthcare and wellness service (Unaudited) | Total continuing operations (Unaudited) (Restated) *(Note 18)* | Discontinued operation: Entertainment and media - Hao You (Unaudited) | Discontinued operation: Online healthcare service (Unaudited) (Restated) *(Note 18)* | Total (Unaudited) |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment assets | 590,998 | 107,390 | 698,388 | 253,010 | 17,397 | 968,795 |
| Unallocated assets | | | 53,778 | – | – | 53,778 |
| Total assets | | | 752,166 | 253,010 | 17,397 | 1,022,573 |
| Segment liabilities | 3,213 | 30,191 | 33,404 | 2,124 | 8,385 | 43,913 |
| Unallocated liabilities | | | 56,620 | – | – | 56,620 |
| Total liabilities | | | 90,024 | 2,124 | 8,385 | 100,533 |
| Other Information: | | | | | | |
| Purchases of property, plant and equipment | | | | | | |
| – Allocated | – | 1,520 | 1,520 | – | 3 | 1,523 |
| – Unallocated | | | 5 | – | – | 5 |
| Depreciation | | | | | | |
| – Allocated | 72 | 1,691 | 1,763 | – | 1,556 | 3,319 |
| – Unallocated | | | 338 | – | – | 338 |
| Amortization of film right | 13,398 | – | 13,398 | – | – | 13,398 |
| Amortization of other intangible assets | – | 2 | 2 | – | – | 2 |
| Impairment of film right | 41,195 | – | 41,195 | – | – | 41,195 |
| Impairment of prepayments | 15,572 | – | 15,572 | – | – | 15,572 |
| Impairment of interest in an associate | 6,322 | – | 6,322 | – | – | 6,322 |

### (b) Geographical segment

The segment results for the six months ended 30 June 2018 and 2017 are as follow:

| | **Revenue from external customers** | | **Non-current assets**[Note] | |
|---|---|---|---|---|
| | **30 June 2018** | 30 June 2017 | **30 June 2018** | 30 June 2017 |
| | ***HK$'000*** | *HK$'000* (Restated) *(Note 18)* | ***HK$'000*** | *HK$'000* |
| The People's Republic of China (the "PRC") | **56,945** | 55,918 | **32,833** | 97,176 |
| Hong Kong | **–** | – | **908** | 11,166 |
| Other countries | **1,139** | 5,569 | **122,409** | 290,651 |
| | **58,084** | 61,487 | **156,150** | 398,993 |

*Note:* Non-current assets exclude interest in an associate, available-for-sale financial assets, financial assets at fair value through profit or loss, deferred income tax assets and non-current portion of deposits and other receivables.

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) (Restated) *(Note 18)* |
| | ***HK$'000*** | *HK$'000* |
| Revenue | | |
| Entertainment and media | | |
| – Film exhibition | **1,139** | 5,569 |
| Offline healthcare and wellness services | | |
| – Club activities income | **22,520** | 21,803 |
| – Membership fees | **15,568** | 14,769 |
| – Rental income | **10,880** | 12,477 |
| – Food and beverage | **7,977** | 6,869 |
| | **58,084** | 61,487 |

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| | | *(Note 18)* |
| | ***HK$'000*** | *HK$'000* |
| Other income and other gains/(losses), net | | |
| – Interest income | **831** | 407 |
| – Exchange (losses)/gains, net | **(4,190)** | 21,034 |
| – Gain on disposal of a subsidiary | **3,188** | – |
| – Fair value change in financial assets at fair value through profit or loss | **152** | – |
| – Miscellaneous | **145** | (2) |
| | **126** | 21,439 |

## 7. FINANCE COST, NET

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Finance cost** | | |
| Imputed finance cost on discounting non-current rental deposits received | **(54)** | (60) |
| **Finance income** | | |
| Imputed finance income on discounting non-current rental deposits paid | **43** | 47 |
| **Finance cost, net** | **(11)** | (13) |

## 8. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| | | *(Note 18)* |
| Depreciation of property, plant and equipment *(Note 12)* | **2,404** | 2,101 |
| Amortization of film right *(Note 13)* | **747** | 13,398 |
| Provision for impairment of: | | |
| – film right *(Note 13)* | **–** | 41,195 |
| – prepayments | **–** | 15,572 |
| – interest in an associate *(Note 14)* | **–** | 6,322 |
| Employee benefit expenses: | | |
| Directors' fees | **300** | 300 |
| Wages and salaries | **7,548** | 6,146 |
| Contributions to defined contribution pension schemes | **1,139** | 915 |
| | **8,987** | 7,361 |

## 9. TAXATION

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit in Hong Kong for the period (2017: same). Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the regions/countries in which the Group operates.

PRC Corporate Income Tax has been provided at the rate of 25% (2017: 25%) on the estimated assessable profit for the period.

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Current income tax | | |
| – Hong Kong profits tax | **–** | – |
| – PRC corporate income tax | **–** | – |
| Deferred income tax | **76** | 344 |
| Income tax expense | **76** | 344 |

The weighted average applicable tax rate for the six months ended 30 June 2018 was 20.5% (2017: 15.9%).

## 10. LOSS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) (Restated) |
| Weighted average number of ordinary shares in issue (thousands) | **13,498,107** | 13,498,107 |
| Loss from continuing operations attributable to equity holders of the Company (HK$'000) | **(23,978)** | (69,901) |
| Basic loss per share from continuing operations attributable to equity holders of the Company (HK cents per share) | **(0.18)** | (0.52) |
| Loss from discontinued operation attributable to equity holders of the Company (HK$'000) | **(52)** | (3,400) |
| Basic loss per share from discontinued operation attributable to equity holders of the Company (HK cents per share) | **–** | (0.02) |
| Basic loss per share attributable to equity holders of the Company (HK cents per share) | **(0.18)** | (0.54) |

Diluted loss per share is the same as basic loss per share as there were no dilutive potential ordinary shares for the six months ended 30 June 2018 (2017: same).

## 11. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2018 (2017: nil).

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Building (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$'000* | Total (Unaudited) *HK$'000* |
|---|---|---|---|---|---|---|
| **Six months ended 30 June 2018** | | | | | | |
| Opening net book amount | **–** | **1,287** | **1,282** | **2,685** | **1,805** | **7,059** |
| Additions | **957** | **595** | **164** | **–** | **692** | **2,408** |
| Disposal of a subsidiary | **–** | **–** | **–** | **(298)** | **–** | **(298)** |
| Depreciation | **(374)** | **(178)** | **(159)** | **(1,478)** | **(215)** | **(2,404)** |
| Exchange difference | **(3)** | **(14)** | **(11)** | **18** | **(17)** | **(27)** |
| Closing net book amount | **580** | **1,690** | **1,276** | **927** | **2,265** | **6,738** |
| **Six months ended 30 June 2017** | | | | | | |
| Opening net book amount | – | 6,516 | 1,452 | 5,987 | 1,985 | 15,940 |
| Additions | – | 1,044 | 228 | 241 | 15 | 1,528 |
| Disposals | – | – | (234) | (420) | – | (654) |
| Depreciation | – | (1,407) | (228) | (1,828) | (194) | (3,657) |
| Exchange difference | – | 193 | 239 | 525 | 58 | 1,015 |
| Closing net book amount | – | 6,346 | 1,457 | 4,505 | 1,864 | 14,172 |

Depreciation expenses of approximately HK$2,404,000 (2017: HK$2,101,000) and HK$Nil (2017: HK$1,556,000) have been charged in administrative expenses and discontinued operation, respectively.

## 13. FILM RIGHT AND FILM PRODUCTION IN PROGRESS

| | Film right (Unaudited) *HK$'000* | Film production in progress (Unaudited) *HK$'000* | Total (Unaudited) *HK$'000* |
|---|---|---|---|
| **Six months ended 30 June 2018** | | | |
| Opening net book amount | **3,498** | **209,355** | **212,853** |
| Return of capital | **–** | **(89,697)** | **(89,697)** |
| Amortization | **(747)** | **–** | **(747)** |
| Closing net book amount | **2,751** | **119,658** | **122,409** |
| At 30 June 2018 | | | |
| Cost | **124,761** | **119,658** | **244,419** |
| Accumulated amortization | **(36,764)** | **–** | **(36,764)** |
| Impairment | **(85,246)** | **–** | **(85,246)** |
| Net book amount | **2,751** | **119,658** | **122,409** |
| **Six months ended 30 June 2017** | | | |
| Opening net book amount | 74,931 | 292,671 | 367,602 |
| Amortization | (13,398) | – | (13,398) |
| Impairment | (41,195) | – | (41,195) |
| Exchange difference | – | 686 | 686 |
| Closing net book amount | 20,338 | 293,357 | 313,695 |
| At 30 June 2017 | | | |
| Cost | 124,761 | 293,357 | 418,118 |
| Accumulated amortization | (19,177) | – | (19,177) |
| Impairment | (85,246) | – | (85,246) |
| Net book amount | 20,338 | 293,357 | 313,695 |

Amortization of film right of approximately HK$747,000 (2017: HK$13,398,000) has been charged in condensed consolidated interim income statement.

In view of the actual box office performance of certain film right distribution in certain markets during the period was below expectation, management performed an impairment assessment for film right as at 30 June 2017. By using the latest available information and best estimates as at 30 June 2017, the carrying value of the film right was compared against its recoverable amount using value in use, which was estimated based on the present value of future cash flows directly generated by the film right, including expected future box office performance in different markets around the globe, other revenue streams that the film right can be distributed such as cable television and home video, the number of and duration of planned circulations and expected cash outflows for the costs for these circulations and distributions. Accordingly, impairment of film right and prepayments amounting to approximately HK$41,195,000 and HK$15,572,000, respectively, was recognized for the period ended 30 June 2017, and was included in cost of sales and administrative expenses, respectively.

The Group has entered into certain joint operation arrangements to produce and distribute up to eleven (2017: eleven) films. The Group has participating interests ranging from 10% to 12% in these joint operations. As at 30 June 2018, the aggregate amounts of assets recognized in the condensed consolidated interim balance sheet relating to the Group's interests in these joint operation arrangements are the film right and film production in progress and trade receivables of HK$122,409,000 (2017: HK$212,853,000) and HK$10,703,000 (2017: HK$10,877,000), respectively.

## 14. INTEREST IN AN ASSOCIATE

Set out below is the associate of the Group as at 30 June 2018 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 30 June 2018 is as follows:

| **Name** | **Place of establishment and kind of legal entity** | **% of ownership interest** | | **Principal activities and place of operation** |
|---|---|---|---|---|
| | | **2018** | 2017 | |
| HB Entertainment Co., Ltd ("HB Entertainment") *(Note)* | South Korea, limited liability company | **31%** | 22% | 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 would subscribe for 23,334 convertible preferred stock ("CPS") in two tranches at the total subscription price of KRW14,042.4 million (equivalent to approximately HK$92.7 million) ("CPS Subscription"); and (b) the Company would purchase 46,666 common stocks in HB Entertainment from Major Shareholder and HB Corporation. The Company has completed both the first CPS subscription and share purchase on 16 August 2016. On 13 March 2018, the Company completed the subscription of second CPS and then converted totalling of 23,334 CPS into 25,926 common stocks in HB Entertainment and the Company's shareholdings in HB Entertainment increased from 22% to 31%.

**Impairment of interest in an associate**

For the period ended 30 June 2017, provision for impairment of interest in HB Entertainment of approximately HK$6,322,000 has been charged in the condensed consolidated interim income statement, mainly due to deterioration of expected future cash flows from HB Entertainment which is affected by the prominent market drop in the export of contents to the PRC from Korean entertainment companies since the fourth quarter of 2017. Recoverable amount has been determined by value-in-use calculation of present value of expected future cash flows.

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

| | As at 30 June 2017 |
|---|---|
| Compound annual growth rate of revenue in five-year period | 27.6% |
| Annual growth rate beyond the five-year period | 3.5% |
| Discount rate | 14.9% |

Management determined the compound annual growth rate of revenue in five-year period and annual growth rate beyond the five-year period based on past performance, industry forecast and its budget of market development. The discount rate used reflected specific risks relating to this CGU.

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **30 June 2018** |
|---|---|
| | **(Unaudited)** |
| | ***HK$'000*** |
| Unlisted securities | |
| Huayi-Warner Contents Fund | **7,052** |

Financial assets at fair value through profit or loss include interests in Huayi-Warner Contents Fund, which are unlisted securities. On 28 April 2017, the Group entered into a partnership agreement as a limited partner with, among others, Huayi Investment Inc. as the general partner and Warner Bros. Korea Inc. as a limited partner, to contribute capital of KRW 1 billion (equivalent to approximately HK$6.8 million) for the establishment of Huayi-Warner Contents Fund. It represented 10% of the total capital contribution to the fund up to the time of its establishment. The Fund's capital shall be invested in film projects that are produced and distributed by Warner Bros. Korea Inc.

The balance is denominated in Korean Won. The maximum exposure to credit risk at the period-end is the carrying value.

During the six months ended 30 June 2018, the net fair value gain of HK$152,000 was recognized in the condensed consolidated interim income statement.

## 16. TRADE RECEIVABLES

At 30 June 2018 and 31 December 2017, the aging analysis of the trade receivables based on invoice date were as follows:

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| 0 – 3 months | **671** | 10,877 |
| Over 6 months | **10,703** | – |
| | **11,374** | 10,877 |

As at 30 June 2018, trade receivables of HK$11,374,000 (2017: HK$10,877,000) are recognized in the condensed consolidated interim balance sheet relating to the Group's interest in joint operation arrangements as detailed in Note 13.

## 17. SHARE CAPITAL

| | Ordinary shares of HK$0.02 each | | Preference shares of HK$0.01 each | | |
|---|---|---|---|---|---|
| | Number of shares | | Number of shares | | Total |
| | *'000* | *HK$'000* | *'000* | *HK$'000* | *HK$'000* |
| Authorized: | | | | | |
| **At 30 June 2018 (Unaudited)** | **150,000,000** | **3,000,000** | **240,760** | **2,408** | **3,002,408** |
| At 31 December 2017 (Audited) | 150,000,000 | 3,000,000 | 240,760 | 2,408 | 3,002,408 |
| Issued and fully paid: | | | | | |
| **At 1 January 2018 and 30 June 2018 (Unaudited)** | **13,498,107** | **269,962** | **–** | **–** | **269,962** |
| At 1 January 2017 and 30 June 2017 (Unaudited) | 13,498,107 | 269,962 | – | – | 269,962 |

### 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 2018, no share option (2017: Nil) have been granted under the New Option Scheme and no share-based payment expense (2017: Nil) has been charged to the condensed consolidated interim income statement.

During the six months ended 30 June 2018, no share options were granted, exercised, cancelled or lapsed, and there was no outstanding option under the New Option Scheme as at 30 June 2018 (2017: Nil).

## 18. DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) (Restated) |
| | ***HK$'000*** | *HK$'000* |
| **(Loss)/profit for the period from discontinued operations is comprised of the following:** | | |
| Beijing Bayhood No.9 Cloud Health Technology Company Limited ("Cloud Health") *(Note a)* | **–** | (3,497) |
| Hao You *(Note b)* | **(52)** | 97 |
| | **(52)** | (3,400) |

*Notes:*

**(a) Cloud Health**

On 14 July 2017, Beijing Bayhood No.9 Cloud Technology Company Limited ("Cloud Technology"), an indirect wholly-owned subsidiary of the Company, Riswein Health Industry Investment Co., Ltd. ("Riswein") and the Company (as a guarantor) entered into a restructuring and acquisition framework agreement for the disposal of the entire equity interest in Cloud Health (held by the nominee shareholders on behalf of Cloud Technology) to Riswein for a cash consideration of RMB10,000,000 (equivalent to approximately HK$11,747,000). The agreement provides for the restructuring by way of transfers by Cloud Technology to Cloud Health of certain assets, intellectual property rights, contracts and staff in relation to the operation of the Online Healthcare Business, change of office rental arrangement of Cloud Health, as well as a waiver of outstanding debts due from Cloud Health to Cloud Technology.

Cloud Health is principally engaged in the business of online healthcare services of the Group through the operation of online healthcare service platform.

The disposal transaction was completed on 31 October 2017.

As the operation of online healthcare and wellness service is considered as a separate major line of business during the year, they are accounted for as a discontinued operation. The comparative financial information for the six months ended 30 June 2017 has been reclassified to conform with current presentation in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations".

Analysis of the result of discontinued operation in relation to Cloud Health is as follows:

| | Six months ended 30 June 2017 (Unaudited) *HK$'000* |
|---|---|
| Revenue | 5,845 |
| Other income | 5 |
| **Expenses** | |
| Depreciation of property, plant and equipment | (68) |
| Wages and salaries | (4,944) |
| Contributions to defined contribution pension schemes | (218) |
| Others | (4,117) |
| Loss before taxation from discontinued operation | (3,497) |
| Taxation | – |
| Loss from discontinued operation | (3,497) |

Analysis of the cash flows of discontinued operation in relation to Cloud Health is as follows:

| | Six months ended 30 June 2017 (Unaudited) *HK$'000* |
|---|---|
| Operating cash flows | 378 |
| Investing cash flows | (1,602) |
| Financing cash flows | – |
| Total cash flows | (1,224) |

**(b) Hao You**

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 Hao You by Hao Ge from Poly Culture for a consideration of RMB80 million. Hao You was then joint venture of the Group held by Hao Ge as to 50%.

On 25 November 2016, Hao Ge and Poly Culture entered into a sales and purchases 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.

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 to a potential buyer. 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 decided to dispose the Group's investment in Hao You.

The abovementioned transaction has not yet been completed as at the date of the result announcement.

The delay was caused by the extended approval procedures from local government authorities.

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 in relation to Hao You classified as held for sale

| | **As at 30 June 2018 (Unaudited)** | As at 31 December 2017 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Property, plant and equipment | **222** | 1,185 |
| Interest in an associate | **94,888** | 95,705 |
| Amount due from an associate | **164,182** | 165,594 |
| Cash and cash equivalents | **49** | 257 |
| | **259,341** | 262,741 |

Liabilities of disposal group in relation to Hao You classified as held for sale

| | As at 30 June 2018 (Unaudited) *HK$'000* | As at 31 December 2017 (Audited) *HK$'000* |
|---|---|---|
| Trade payables, other payables and accruals | **2,151** | 2,205 |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Currency translation differences | **(2,208)** | (7,460) |

Analysis of the result of discontinued operation in relation to Hao You, and the result recognized on the re-measurement of the equity interest in Hao You, is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Other (cost)/income and other gains, net | **(52)** | 97 |
| (Loss)/profit before taxation of discontinued operation | **(52)** | 97 |
| Taxation | **–** | – |
| (Loss)/profit for the period from discontinued operation | **(52)** | 97 |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Operating cash flows | **(206)** | 47 |
| Investing cash flows | **–** | – |
| Financing cash flows | **–** | – |
| Total cash flows | **(206)** | 47 |

## 19. DISPOSAL OF A SUBSIDIARY

On 28 March 2018, Hao Ge entered into an equity transfer agreement with an independent third party (the "Purchaser") for the disposal of 50% equity interest in Beijing Si Hai Jun Tian Trading Company Limited ("Si Hai Jun Tian") by Hao Ge to the Purchaser for a consideration of RMB4,000,000 and Hao Ge, the Purchaser and the individual registered shareholder of Si Hai Jun Tian who holds 1% equity interest in Si Hai Jun Tian on behalf of Hao Ge ("the Nominee Shareholder") entered into a nominee equity transfer agreement for the disposal of the beneficial ownership of 1% of equity interest in Si Hai Jun Tian, which is registered in the name of the Nominee Shareholder and held on behalf of Hao Ge, to the Purchaser for a consideration of RMB80,000.

Si Hai Jun Tian is a 51% owned subsidiary of the Group principally engaged in the provision of offline health and wellness services through operation of a mid-tier wellness centre in Beijing, the PRC.

The disposal transaction was completed on 31 May 2018.

Analysis of net gain on disposal of Si Hai Jun Tian:

| | **Five months ended 31 May 2018 (Unaudited)** *HK$'000* |
|---|---|
| Cash consideration | **4,991** |
| Property, plant and equipment disposed of | **(298)** |
| Net assets disposed of | **(2,072)** |
| Non-controlling interest disposed of | **419** |
| | **3,040** |
| Release of exchange reserve upon disposal | **148** |
| Gain on disposal | **3,188** |

Analysis of net proceeds received from disposal of Si Hai Jun Tian:

| | **As at 31 May 2018 (Unaudited)** ***HK$'000*** |
|---|---|
| Cash consideration | **4,991** |
| Less: cash and cash equivalents included in the subsidiary disposed of | **(8,743)** |
| | **(3,752)** |

## 20. COMMITMENTS

**Operating lease commitment**

***(i) Lessor***

As at 31 December 2017, Si Hai Jun Tian, a former subsidiary of the Group, leased 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 2018 (Unaudited)** ***HK$'000*** | 31 December 2017 (Audited) *HK$'000* |
|---|---|---|
| Not later than one year | **–** | 29,186 |
| Later than one year and not later than five years | **–** | 167,187 |
| Later than five years | **–** | 69,644 |
| | **–** | 266,017 |

***(ii) Lessee***

At 30 June 2018 and 31 December 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

| | **30 June 2018 (Unaudited)** ***HK$'000*** | 31 December 2017 (Audited) *HK$'000* |
|---|---|---|
| Not later than one year | **2,300** | 21,423 |
| Later than one year and not later than five years | **588** | 81,904 |
| Later than five years | **–** | 77,468 |
| | **2,888** | 180,795 |

The significant decrease of the future aggregate minimum lease payments under non-cancellable operating leases is mainly attributed to the disposal of Si Hai Jun Tian during the period.

## 21. CONTINGENT LIABILITIES

As at 30 June 2018, there are no material contingent liabilities to the Group (2017: Nil).

## 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 2018. The unaudited condensed consolidated financial information for the six months ended 30 June 2018 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 2018 (the "period" or the "first half of 2018") are summarized in the table below:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 (Restated) |
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations:** | | |
| Total sales revenue | **58,084** | 61,487 |
| Gross profit/(loss) | **19,634** | (31,546) |
| Loss before finance costs and taxation | **(23,320)** | (68,916) |
| Loss before income tax | **(23,331)** | (68,929) |
| Loss for the period | **(23,407)** | (69,273) |
| **Loss for the period from discontinued operations** | **(52)** | (3,400) |
| **Loss for the period** | **(23,459)** | (72,673) |

**Business Review**

| | Sales Revenue Six months ended 30 June | | Segment Results Six months ended 30 June | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Continuing operations:** | | | | |
| Entertainment and media operations | **1,139** | 5,569 | **(7,979)** | (71,374) |
| Offline healthcare and wellness services | **56,945** | 55,918 | **(3,514)** | (7,874) |
| Total | **58,084** | 61,487 | **(11,493)** | (79,248) |

During the period under review, revenue from the entertainment and media business dropped by 80% to approximately HK$1,139,000 (2017: HK$5,569,000) as there was no new film being released by the Company and its subsidiaries during the period. On the other hand, revenue from the healthcare and wellness services recorded a slight 2% increase. As a result, the Group recorded a total revenue of approximately HK$58,084,000, representing a period-on-period decrease of 6%. Despite a drop in revenue, loss for the period narrowed down by 68% to HK$23,459,000 in the first half of 2018. This was because no further impairment provision was made in the first half of 2018, while an impairment provision totalling HK$63,089,000 was made during the six months ended 30 June 2017 for certain film rights, prepayments and investment in an associate.

In April 2017, the Group made a capital contribution of KRW1 billion to jointly establish the Huayi-Warner Contents Fund (the "Fund") with relevant parties including, among others, Warner Bros. Korea Inc. ("Warner Brothers"). Following this initiative, the Group has been participating in quality Korean film projects produced and distributed by Warner Brothers. In addition, the Group's equity interests in HB Entertainment Co., Ltd. ("HB Entertainment") have been increased to 30.77% after the full conversion of convertible preferred stocks, being a strong testimony to the confidence of the Group in the future development of HB Entertainment. In view of the enduring popularity of Korean films and TV programmes in local market, a moderate ease in restriction on Korean contents by the Chinese authority, and the continuous introduction of acclaimed Korean films and TV programmes by other countries, the Group remains optimistic about the demand for Korean film and TV productions in both local and overseas markets. During the period under review, *Partners for Justice*, an HB Entertainment production premiered in Korea on 14 May, received exceptional response from audience. According to MBC statistics on viewership, *Partners for Justice* received an average rating of 6.86%, topping at 9.6%. Having been simulcast on ViuTV in Hong Kong, this television series will successively be aired in a number of territories in Southeast Asia, including Taiwan, Singapore, Malaysia, Indonesia and Brunei.

In terms of its healthcare and wellness business, the Group disposed of its entire shareholding in Beijing Bayhood No.9 Cloud Health Technology Company Limited ("Cloud Health") to an independent third party at a consideration of RMB10 million in July 2017, which marked the completion of the disentanglement of its online healthcare business. In addition, the Group also disposed of its 51% shareholding in Beijing Si Hai Jun Tian Trading Company Limited ("Si Hai Jun Tian") to an independent third party at a consideration of RMB4.08 million in May 2018. "Beijing Bayhood No.9 Club" is currently the main revenue stream for our healthcare and wellness segment, which gradually shifts its focus from serving only high-end customers to including middle-end customers as one of its target customer groups. Facing with intense competition in the market, revenue in the healthcare and wellness segment amounted to approximately HK$56,945,000 during the period under review, representing a slight increase of 2% as compared to the same period last year. Segment loss in the first half of 2018 amounted to approximately HK$3,514,000. Excluding the gain on disposal of Si Hai Jun Tian of approximately HK$3,188,000, the segment loss for offline healthcare and wellness services for the period narrowed down by 15% comparing to the same period last year.

**Business Review**

The Chinese economy maintained a stable momentum of growth during the first half of 2018, with its gross domestic product (GDP) reaching RMB41,896.1 billion. Measured at comparable prices, this represented a period-on-period growth of 6.8% and a slight decrease of 0.1 percentage point in growth rate from the same period last year. The higher growth was mainly driven by domestic consumption, with final consumption expenditure accounting for 78.5% of GDP growth. Domestic consumption increased by 14.2 percentage points from the same period last year, demonstrating its role as the main driver of China's economy. Meanwhile, per capita disposable income of Chinese residents recorded an actual increase of 6.6% from the same period last year to RMB14,063. Correspondingly, China's per-capita consumption expenditure recorded an actual increase of 6.7% as compared to the same period last year to RMB9,609, of which, the per-capita consumption expenditure on educational, cultural and entertainment services was RMB932, representing a growth of 7.2%. Residents across the country are showing greater willingness to spend on cultural and entertainment, reflecting the growing market demand in the domestic cultural and entertainment industry. The sustained and steady economic growth of domestic economy will create favourable conditions for the future development of our entertainment and media business.

According to statistics from the Film Bureau under the State Administration of Press, Publication, Radio, Film and Television, as at 30 June 2018, China's gross box office receipts reached approximately RMB32.031 billion, representing a period-on-period growth of over 17.82%. Domestic film productions delivered encouraging box office performance of approximately RMB18.965 billion during the first half, a period-on-period growth of 80.1%, presenting a different picture from last year. Six of the domestic film productions released during the first half ranked among the top ten highest-grossing films in China, with five of them reporting box office receipts of over RMB1 billion. Furthermore, the continuous improvement in the construction of film infrastructures also lays the foundation for future development of China's film market.

In terms of the Korean film market, according to statistics from the First Half Report on the 2018 Korean Film Industry issued by the Korean Film Commission ("KOFIC"), higher ticket prices drove the period-on-period growth of 2.4% in box office receipts of Korean films to approximately KRW802.5 billion, with cinema attendance decreasing by 1% period-on-period to 96.36 million. Cinema attendance for Korean films increased by 3.9% period-on-period to a total of approximately 45 million. Driven by a number of Hollywood blockbusters released during the first half, U.S. films secured three places among the five highest-grossing films in Korea, two of which were produced by Disney and Marvel respectively. Yet, owing to the growing diversification and public popularity of local productions, Korean films have also taken up five of the country's ten highest-grossing films, with *Along with the Gods: The Two Worlds* securing the second place. Revenue from the sale of 3D, 4D and IMAX tickets in Korea increased by 79.1% to approximately US$36.30 million as compared to the same period last year, representing a growth rate of 69%. Huayi-Warner Contents Fund, in which the Group invested, planned to release five Korean films in 2018, including *Champion*, a movie released in South Korea on 1 May, which earned Korean domestic box office receipts of over US$8.3 million. *The Witch*, which was released in June, ranked first in terms of box office in opening weekend in Korea, recording Korean domestic box office receipts of over US$24 million and a cinema attendance of over 3.10 million as at the date of this result announcement. Moreover, *Jin-Roh*, a local Korean production released on 25 July, already recorded box office receipts of US$6 million for the first 10 days after its release. It is evident from the above that there remains a keen demand for Korean films and TV programmes in local market. In view of this, coupled with the enduring popularity of the Korean trend and the continuous introduction of Korean films and TV programmes by other countries, the Group remains optimistic about the demand for Korean film and TV productions in both local and overseas markets.

### *(1) Entertainment and Media Business*

While the gap between the film market in China and the North America are narrowing gradually, in terms of film infrastructures in third, fourth and fifth-tier cities across China, there is still great potential for improvement. On another note, domestic film industry in China has been growing at a fast pace and gradually catching up with its Hollywood counterparts in terms of contents, actions, stunts and special effects. As a result, domestic movies are becoming more favourable to the Chinese audience, which will contribute to the further development of the film industry. Major Korean productions have been well received around the globe and grossing enviable revenue in recent years. For example, *Along with the Gods: The Two Worlds* delivered total box office receipts of US$110 million. Operating in one of South Korea's neighbouring countries, the Group will be able to seize further opportunities and move forward through its collaboration with Korean producers. As the Chinese film industry enters a development phase of growing diversity, the Group aims to move forward by leveraging on the know-how in the media and entertainment sector and the strong support from its strategic shareholders, Huayi Brothers Media Corporation ("Huayi Brothers") and Tencent Holdings Limited ("Tencent"), to further will continue to develop and invest in quality film projects, and to seek opportunities to partner with competent and internationally renowned studios.

*Partners for Justice*, an HB Entertainment production premiered on 14 May in Korea, received exceptional response. According to MBC statistics on viewership, *Partners for Justice* delivered an average rating of 6.86%, topping at 9.6%. Having been simulcast on ViuTV in Hong Kong, this TV programme will be aired in a number of territories in Southeast Asia, including Taiwan, Singapore, Malaysia, Indonesia and Brunei. Given its encouraging performance in Korea, the Group is confident that the television series will also secure satisfactory ratings in other regions. HB Entertainment plans to produce and release two more TV dramas in the second half of 2018; including *Lovely Horribly* (starring Park Si-hoo and Song Ji-hyo) which was premiered on 13 August 2018 on KBS and simulcast on myTV Super in Hong Kong.

During the period under review, Huayi-Warner Contents Fund has invested in a total of five films, three of which, namely *Champion*, *The Witch* and *Jin-Roh* have already been released in Korea. In particular, *Champion*, starring Ma Dong-seok, the star who gained his popularity through Train to Busan, was released in South Korea on 1 May and recorded a cinema attendance of 1.1 million in Korea. In addition, *The Witch*, a science fiction film released on 27 June, also recorded outstanding box-office performance. With a total cinema attendance of over 3 million, it topped single-day box office receipts for six consecutive days. *Jin-Roh*, a film directed by Kim Jee-woon, was released on 25 July and has secured the highest box office receipts over its opening weekend. Coupled with the success of *V.I.P.*, the first film invested by the Fund last year, the Group's Korean film and TV entertainment operation maintained the momentum of growth, laying a solid foundation for the enhancement of brand image and financial return. Through the Fund, the Group aims to bring more suitable investment projects of premium quality in the future.

***(2) Healthcare and Wellness Business***

During the period under review, the Group's healthcare and wellness business was primarily engaged in the operation of "Beijing Bayhood No.9 Club". As one of the top green health clubs in China, this healthcare and wellness centre offers 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. At present, the Group continues to operate "Beijing Bayhood No.9 Club" in the form of renting, offering professional and quality healthcare and wellness services to enterprises and individual clients. During the period under review, the healthcare and wellness segment recorded a revenue of approximately HK$56,945,000, representing a slight increase of 2% over the same period last year.

Since the Group plans to concentrate resources on the development of its core entertainment and media business, no further investment shall be made to the healthcare management and wellness business. The management will continue its ongoing efforts to strengthen control over costs, with a view to maintaining profit margin and stabilising operation. The Group expects that the healthcare and wellness business will continue to generate stable revenue and cash flows in the future.

**Business Outlook**

According to the Global Entertainment & Media Outlook 2018 – 2022 released by PwC, the film market of Mainland China recorded a total revenue of approximately US$8.2 billion (HK$64.4 billion) in 2017, representing a growth rate of 21.5%. It is expected that the Chinese film market will continue to grow at a compound annual growth rate of 9.7% over the next five years, and the total revenue will reach US$13.1 billion by 2022 and overtake the U.S. film market, reflecting the robust development of the film industry in China. As analysed in PwC's report, the growth of film market in Mainland China is accompanied by increased box office receipts as well as higher ticket price. However, with the improvement in living standards of Chinese residents, such increase in ticket price wouldn't make the Chinese any less willing to go to the movies, as it has become an integral part of their entertainment.

Going forward, the Group will concentrate on the investment in Korean film and TV productions. In view of this focus and the potential easing of restriction on Korean contents by the Chinese authority, it is expected that the investment in existing Korean film and TV projects will generate considerable return for the Group. In addition, the Group will continue to invest and produce films and TV programmes of various genres to build a reserve of overseas intellectual property (IP) rights with development potential and explore promising investment projects. Moreover, the Group will also seek opportunities to bring Hollywood films into its investment portfolio, and to partner with internationally renowned studios. Given the continuous and robust development of domestic film market, as well as the popularity of Korean films and TV programmes among Chinese audience, the Group is well-positioned to lead its core media and entertainment business in the future.

The Group will also keep a close eye on future investment opportunities in the pan-entertainment industry (such as the gaming, eSports and music), with a view to reinforcing its deployment in the cultural and entertainment industry.

Lastly, the Group is pleased to report that Mr. CHENG Wu has been the Group's executive director and the vice chairman of the Board since 16 August 2018. Mr. CHENG is currently the Chief Executive Officer of Tencent Pictures, a wholly-owned film and television production subsidiary of Tencent, where he is mainly responsible for overseeing strategy, marketing, channels, copyright and new business development for the Tencent Interactive Entertainment Group ("IEG"); in addition, Mr. CHENG also manages branding, marketing and PR for Tencent Group. The Group believes that the professional experience of Mr. CHENG in the field of pan-entertainment will contribute to the robust development of the Group.

## FINANCIAL REVIEW

### Continuing Operations

Sales revenue for the six months ended 30 June 2018 amounted to approximately HK$58,084,000, being a 6% decrease comparing to the same period in prior year. As there was no new film being released by the Company and its subsidiaries during the period, revenue from the "Entertainment and Media" segment dropped by 80% to HK$1,139,000 during the period (2017: HK$5,569,000) for the six months ended 30 June 2018. Revenue from "Offline Healthcare and Wellness Services" segment still accounts for majority of the Group's revenue, amounting to HK$56,945,000 (2017: HK$55,918,000) for the six months ended 30 June 2018, being a 2% slight increase comparing to the same period in prior year.

Cost of sales for the six months ended 30 June 2018 amounted to approximately HK$38,450,000 (2017: HK$93,033,000), being a 59% decrease comparing to the same period in prior year. During the six months ended 30 June 2017, in view of the actual box office performance of certain film rights distribution in certain markets during the period was below expectation, impairment of certain film rights amounting to approximately HK$41,195,000 was recorded. In addition, corresponding to the progress in distributing relevant film rights, film right amortization expense also decreased from approximately HK$13,398,000 in prior period to approximately HK$747,000 during the current period. Discounting the above factors, cost of sales remained stable comparing to the same period in the prior year.

Other income and other gains, net, mainly comprising of exchange differences, gain on disposal of a subsidiary and interest income, amounting to a net gain of approximately HK$126,000 (2017: HK$21,439,000). Chinese Renminbi appreciates significantly against Hong Kong dollars during the six months ended 30 June 2017, however, the trend reversed during the six months ended 30 June 2018. In line with such trend, the Group recorded an exchange loss of approximately HK$4,190,000 and an exchange gain of approximately HK$21,034,000 during the six months ended 30 June 2018 and 2017, respectively. In addition, following the completion of disposal of Si Hai Jun Tian (please refer to Note 19 to the condensed consolidated interim financial information for details), a gain of disposal of approximately HK$3,188,000 was recorded during the current period.

Marketing and selling expenses for the six months ended 30 June 2018 amounted to approximately HK$297,000 (2017: Nil). The amount represented the Group's share of marketing, print & advertising expenses for the worldwide release of "*Rock Dog*" movie during the period, mainly covering the relevant expenses for DVD, cable TV, IPTV releases, etc.

Administrative expenses for the six months ended 30 June 2018 decreased by 27% to approximately HK$42,081,000 (2017: HK$57,994,000). The decrease is mainly due to the following factors.

(i) During the six months ended 30 June 2017, in view of the actual box office performance of certain film rights distribution in certain markets during the period was below expectation, a provision for impairment of prepayments in relation to the film rights of approximately HK$15,572,000 was recorded; and

(ii) A provision for impairment of investment in an associate (i.e. HB Entertainment) of approximately HK$6,322,000 was recorded during the six months ended 30 June 2017, mainly due to deterioration of expected future cash flows from HB Entertainment which was affected by the prominent market drop in the export of the contents to the PRC from Korean entertainment companies since the fourth quarter of 2016.

Share of results of an associate for the current period represented the share of results of HB Entertainment, an associated company of the Group. 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. However, the financial performance of HB Entertainment is expected to improve in the second half of 2018 following the release of *Partners for Justice* with high viewership rating in May 2017 and the planned release of a few more TV dramas in the second half of 2018.

Finance cost, net, representing the net of imputed finance cost on discounting noncurrent rental deposits paid and received, amounted to a net cost of approximately HK$11,000 (2017: net costs of HK$13,000) during the six months ended 30 June 2018.

**Discontinued Operations**

The loss from discontinued operations comprises the following:

(i) the intended disposal of entire interest in the online healthcare services segment during the six months ended 30 June 2017. The disposal was subsequently completed in October 2017. Further details of the disposal are disclosed in Note 18(a) to the condensed consolidated interim financial information. Loss from this discontinued operation for the six months ended 30 June 2017 amounted to approximately HK$3,497,000.

(ii) 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 Note 18(b) to the condensed consolidated interim financial information. Loss from Hao You operations for the six months ended 30 June 2018 amounted to approximately HK$52,000 (2017: gain of approximately HK$97,000).

## 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 2018, the Group held cash and cash equivalents of approximately HK$113,442,000, being a 12% decrease comparing to the balance as at 31 December 2017.

The Group is at net current asset position of HK$407,771,000 as at 30 June 2018 (31 December 2017: HK$420,965,000). The current ratio, representing the total current assets to the total current liabilities, increased from 26.37 as at 31 December 2017 to 28.40 as at 30 June 2018, representing a very healthy liquidity position.

The debt to equity ratio, representing the sum of borrowings to total equity, is nil as at 30 June 2018 and 31 December 2017. The Group has no borrowing as at 30 June 2018 and 31 December 2017.

### Foreign Currency Exchange Exposure

The Group has operations and investments in China, South Korea, the USA and Hong Kong, and is mainly exposed to foreign exchange risk arising from Chinese Renminbi and South Korean Won currency exposures, primarily with respect to the Hong Kong dollars. During the year, depreciation in Chinese Renminbi and South Korean Won against Hong Kong dollars resulted in the exchange loss of approximately HK$4,194,000 (2017: exchange gain of HK$21,034,000). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure from Chinese Renminbi and South Korean Won but manages through constant monitoring to limit as much as possible its net exposures.

### Capital Structure

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

During the six months ended 30 June 2018 and 2017, the Company has not issued new ordinary shares.

## CHARGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2018 and 31 December 2017, 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 2018, the Group employed a total of 26 (31 December 2017: 31) full-time employees in Hong Kong and the PRC, and continued to manage "Beijing Bayhood No.9 Club" operations with 438 (31 December 2017: 385) 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 to achieving high standards of corporate governance. Throughout the six months ended 30 June 2018, 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 deviation:–

### Code Provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Group should be separate and should not be performed by the same individual. During the period, the roles of chairman ("Chairman") and chief executive officer ("CEO") have not been separated.

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.

## 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") 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 2018.

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 2018 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 2018 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, 20 August 2018

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

*Executive directors: Mr. WANG Zhongjun (Chairman), Mr. CHENG Wu (Vice Chairman), Mr. WANG Zhonglei, Mr. LIN Haifeng, Ms. WANG Dongmei, Mr. YUEN Hoi Po*
*Independent non-executive directors: Dr. WONG Yau Kar David, GBS, JP, Mr. YUEN Kin, Mr. CHU Yuguo*