

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

**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**

	<b>2021</b>	<b>2020</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	
Total revenue	<b>183,377</b>	42,356	+3.3 times
Gross profit	<b>40,780</b>	17,456	+1.3 times
Loss for the period	<b>(9,009)</b>	(11,601)	-22%
Loss attributable equity holders of the Company	<b><u>(7,190)</u></b>	<b><u>(11,601)</u></b>	-38%

- “*Space Sweepers*” and “*Cherry*” have been successfully released on Netflix and Apple TV+ respectively during the period, leading to a 3.3-time boost in revenue to approximately HK\$183,377,000 (2020: HK\$42,356,000).
- Upcoming projects, including “*Chaos Walking*” (PRC release only), “*Extinct*” and “*Moonfall*”, will continue to bring new stream of revenue to the Group.
- Grabbing the huge opportunities of the internet healthcare and medical service markets in the PRC, the Group has completed the acquisition of 51% equity interests in PTXB Group which develops and operates “Lingyi Future”, a new retail platform for prescription drugs which connects medical practitioners, patients and physical pharmacies by establishing a closed loop from issuance of electronic prescriptions by doctors, order of prescription drugs at pharmacies by patients, online payment to delivery of the drugs prescribed.

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 2021, together with the comparative figures for the corresponding period in 2020. 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 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue and film investment income	4	182,549	38,771
Interest revenue calculated using the effective interest method	4	<u>828</u>	<u>3,585</u>
		183,377	42,356
Cost of sales		<u>(142,597)</u>	<u>(24,900)</u>
Gross profit		40,780	17,456
Other income and other gains/(losses), net	4	10,951	(557)
Marketing and selling expenses		(12,481)	–
Administrative expenses		<u>(44,991)</u>	<u>(31,500)</u>
		(5,741)	(14,601)
Finance (costs)/income, net	6	(1,498)	3,416
Share of result of an associate		<u>(1,917)</u>	<u>(396)</u>
Loss before taxation	7	(9,156)	(11,581)
Taxation	8	<u>147</u>	<u>(20)</u>
Loss for the period		<u>(9,009)</u>	<u>(11,601)</u>
Loss attributable to:			
Equity holders of the Company		(7,190)	(11,601)
Non-controlling interest		<u>(1,819)</u>	<u>–</u>
		<u>(9,009)</u>	<u>(11,601)</u>
<b>Loss per share attributable to equity holders of the Company for the period</b>			
Basic and diluted loss per share	9	<u>(0.05)</u>	<u>(0.09)</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(9,009)</u>	<u>(11,601)</u>
Other comprehensive loss:		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u>(10,592)</u>	<u>(10,303)</u>
Other comprehensive loss for the period, net of tax	<u>(10,592)</u>	<u>(10,303)</u>
Total comprehensive loss for the period	<u><u>(19,601)</u></u>	<u><u>(21,904)</u></u>
Total comprehensive loss attributable to:		
Equity holders of the Company	(17,900)	(21,904)
Non-controlling interest	<u>(1,701)</u>	<u>–</u>
	<u><u>(19,601)</u></u>	<u><u>(21,904)</u></u>

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2021

		<b>30 June 2021</b>	31 December 2020
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>12</i>	<b>2,938</b>	1,765
Right-of-use assets	<i>11</i>	<b>56,945</b>	68,165
Goodwill		<b>30,988</b>	–
Film rights and film production in progress	<i>13</i>	<b>277,790</b>	363,524
Interest in an associate	<i>15</i>	<b>251,401</b>	263,297
Financial asset at fair value through profit or loss	<i>16</i>	<b>562</b>	474
Prepayments, deposits and other receivables	<i>18</i>	<b>18,698</b>	18,486
		<b><u>639,322</u></b>	<u>715,711</u>
<b>Current assets</b>			
Trade receivables	<i>17</i>	<b>3,371</b>	–
Programmes and film production in progress	<i>14</i>	<b>28,147</b>	44,832
Prepayments, deposits and other receivables	<i>18</i>	<b>50,485</b>	6,394
Cash and cash equivalents	<i>19</i>	<b>156,838</b>	113,837
		<b><u>238,841</u></b>	<u>165,063</u>
<b>Total assets</b>		<b><u><u>878,163</u></u></b>	<u><u>880,774</u></u>

		<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to the equity holders of the Company			
Share capital	<i>21</i>	<b>269,962</b>	269,962
Reserves		<b><u>488,730</u></b>	<u>506,630</u>
		<b>758,692</b>	776,592
Non-controlling interest		<b><u>14,646</u></b>	<u>–</u>
<b>Total equity</b>		<b><u>773,338</u></b>	<u>776,592</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	<i>11</i>	<b>1,625</b>	2,016
Deferred income tax liabilities		<b><u>1,337</u></b>	<u>1,542</u>
		<b><u>2,962</u></b>	<u>3,558</u>
<b>Current liabilities</b>			
Trade payables	<i>20</i>	<b>300</b>	–
Receipt in advances, other payables and accrued liabilities		<b>65,164</b>	34,891
Bank borrowing		<b>1,202</b>	–
Lease liabilities	<i>11</i>	<b><u>35,197</u></b>	<u>65,733</u>
		<b><u>101,863</u></b>	<u>100,624</u>
<b>Total liabilities</b>		<b><u>104,825</u></b>	<u>104,182</u>
<b>Total equity and liabilities</b>		<b><u><u>878,163</u></u></b>	<u><u>880,774</u></u>

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Net cash generated from/(used in) operating activities</b>	<b>79,177</b>	<b>(49,597)</b>
<b>Cash flows from investing activities</b>		
Bank interest received	41	1,091
Purchase of property, plant and equipment	(1,289)	(298)
Acquisition of subsidiaries (Note 25)	<u>(2,791)</u>	<u>—</u>
<b>Net cash (used in)/generated from investing activities</b>	<b><u>(4,039)</u></b>	<b><u>793</u></b>
<b>Cash flows from financing activities</b>		
Increase in pledged bank deposits	—	(472)
Principal elements of lease payments	<u>(32,709)</u>	<u>(1,200)</u>
<b>Net cash used in financing activities</b>	<b><u>(32,709)</u></b>	<b><u>(1,672)</u></b>
Net increase/(decrease) in cash and cash equivalents	<b>42,429</b>	<b>(50,476)</b>
Cash and cash equivalents at 1 January	<b>113,837</b>	<b>198,248</b>
Currency translation differences	<u>572</u>	<u>(391)</u>
<b>Cash and cash equivalents at 30 June</b>	<b><u>156,838</u></b>	<b><u>147,381</u></b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2021*

	(Unaudited)								
	Attributable to equity holders of the Company								
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Currency translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling Interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2021	269,962	1,213,484	860,640	1,206	(14,179)	(1,554,521)	776,592	-	776,592
Loss for the period	-	-	-	-	-	(7,190)	(7,190)	(1,819)	(9,009)
Other comprehensive loss	-	-	-	-	(10,710)	-	(10,710)	118	(10,592)
Total comprehensive loss	-	-	-	-	(10,710)	(7,190)	(17,900)	(1,701)	(19,601)
Acquisition of subsidiaries <i>(Note 25)</i>	-	-	-	-	-	-	-	16,347	16,347
Balance at 30 June 2021	<u>269,962</u>	<u>1,213,484</u>	<u>860,640</u>	<u>1,206</u>	<u>(24,889)</u>	<u>(1,561,711)</u>	<u>758,692</u>	<u>14,646</u>	<u>773,338</u>

	(Unaudited)								
	Attributable to equity holders of the Company								
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Currency translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling Interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2020	269,962	1,213,484	860,640	1,206	(14,135)	(1,497,947)	833,210	-	833,210
Loss for the period	-	-	-	-	-	(11,601)	(11,601)	-	(11,601)
Other comprehensive loss	-	-	-	-	(10,303)	-	(10,303)	-	(10,303)
Total comprehensive loss	-	-	-	-	(10,303)	(11,601)	(21,904)	-	(21,904)
Balance at 30 June 2020	<u>269,962</u>	<u>1,213,484</u>	<u>860,640</u>	<u>1,206</u>	<u>(24,438)</u>	<u>(1,509,548)</u>	<u>811,306</u>	<u>-</u>	<u>811,306</u>

## 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 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 2021.

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 2021 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

### 3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2020, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standard as set out below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### (a) New and amended standard adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

#### (b) Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.



**4. REVENUE AND FILM INVESTMENT INCOME, INTEREST REVENUE CALCULATED USING THE EFFECTIVE INTEREST METHOD AND OTHER INCOME AND OTHER GAINS/(LOSSES), NET**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b> <b>HK\$'000</b>	<b>(Unaudited)</b> <b>HK\$'000</b>
Revenue		
Entertainment and media		
– Share of license fee	<b>126,564</b>	–
– Sub-licensing of film and TV programmes rights	–	80
Healthcare and wellness services		
– Club activities income	<b>32,136</b>	21,003
– Membership fees	<b>16,377</b>	15,032
– Food and beverage	<b>7,472</b>	2,656
	<u>182,549</u>	<u>38,771</u>
Revenue	<b>182,549</b>	38,771
Interest revenue calculated using the effective interest method (Entertainment and media)	<b>828</b>	3,585
	<u>828</u>	<u>3,585</u>
	<b>183,377</b>	42,356
	<u>183,377</u>	<u>42,356</u>
Other income and other gains/(losses), net		
Share of subsidies for movie production	<b>10,645</b>	–
Interest income	<b>41</b>	1,091
Fair value change on financial asset at fair value through profit or loss	<b>88</b>	(395)
Fair value change on film investment fund received	<b>(950)</b>	–
Loss on disposal of property, plant and equipment	<b>(12)</b>	(2)
Exchange gain/(losses), net	<b>1,023</b>	(1,342)
Others	<b>116</b>	91
	<u>116</u>	<u>91</u>
	<b>10,951</b>	(557)
	<u>10,951</u>	<u>(557)</u>

## 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: (i) Entertainment and media businesses and (ii) 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 gain/(losses), net, finance income/(costs), net, and unallocated expenses, net. Unallocated expenses, net mainly comprise of corporate income net off with corporate expenses including salary, depreciation of right-of-use assets in relation to office and apartment and other administrative expenses which are not attributable to particular reportable segment.

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets which are managed on a group basis. Segment liabilities exclude income tax liabilities and other unallocated head office and corporate liabilities which are managed on a group basis.

There were no sales between the operating segments during the six months ended 30 June 2021 (2020: Nil).

### (a) Business segment

The segment results for the six months ended 30 June 2021 are as follows:

	<b>Entertainment and media (Unaudited) HK\$'000</b>	<b>Healthcare and wellness service (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
Revenue and film investment income	126,564	55,985	182,549
Interest revenue calculated using the effective interest method	<u>828</u>	<u>–</u>	<u>828</u>
	<u><b>127,392</b></u>	<u><b>55,985</b></u>	<u><b>183,377</b></u>
Share of result of an associate	<u><b>(1,917)</b></u>	<u><b>–</b></u>	<u><b>(1,917)</b></u>
Segment results	<u><b>9,117</b></u>	<u><b>(1,269)</b></u>	<b>7,848</b>
Exchange gains, net			<b>1,023</b>
Unallocated expenses, net			<u><b>(16,529)</b></u>
Finance cost			<u><b>(7,658)</b></u>
			<u><b>(1,498)</b></u>
Loss before taxation			<b>(9,156)</b>
Taxation			<u><b>147</b></u>
Loss for the period			<u><b>(9,009)</b></u>

An analysis of the Group's assets and liabilities as at 30 June 2021 by segment and other information for the six months ended 30 June 2021 are as follows:

	<b>Entertainment and media (Unaudited) HK\$'000</b>	<b>Healthcare and wellness service (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
At 30 June 2021			
Segment assets	<b>561,997</b>	<b>184,724</b>	<b>746,721</b>
Unallocated assets			<u><b>131,442</b></u>
Total assets			<u><u><b>878,163</b></u></u>
Segment liabilities	<b>4,898</b>	<b>79,887</b>	<b>84,785</b>
Unallocated liabilities			<u><b>20,040</b></u>
Total liabilities			<u><u><b>104,825</b></u></u>
For the six months ended 30 June 2021			
Other information:			
Purchases of property, plant and equipment	–	<b>1,289</b>	<b>1,289</b>
Depreciation of right-of-use assets			
— Allocated	–	<b>11,404</b>	<b>11,404</b>
— Unallocated			<b>2,364</b>
Depreciation of property, plant and equipment			
— Allocated	–	<b>182</b>	<b>182</b>
— Unallocated			<b>83</b>
Amortization of completed film rights	<b>81,513</b>	–	<b>81,513</b>
Decrease in loss allowance of programmes and film production in progress	<u><b>(18)</b></u>	<u>–</u>	<u><b>(18)</b></u>

The segment results for the six months ended 30 June 2020 are as follows:

	Entertainment and media (Unaudited) <i>HK\$'000</i>	Healthcare and wellness service (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Revenue and film investment income	80	38,691	38,771
Interest revenue calculated using the effective interest method	<u>3,585</u>	<u>–</u>	<u>3,585</u>
	<u>3,665</u>	<u>38,691</u>	<u>42,356</u>
Share of result of an associate	<u>(396)</u>	<u>–</u>	<u>(396)</u>
Segment results	<u>1,736</u>	<u>(6,290)</u>	(4,554)
Exchange losses, net			(1,342)
Unallocated expenses, net			<u>(9,101)</u>
Finance income, net			(14,997)
			<u>3,416</u>
Loss before taxation			(11,581)
Taxation			<u>(20)</u>
Loss for the period			<u>(11,601)</u>

An analysis of the Group's assets and liabilities as at 31 December 2020 by segment and other information for the six months ended 30 June 2020 are as follows:

	Entertainment and media <i>HK\$'000</i>	Healthcare and wellness service <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2020 (Audited)			
Segment assets	672,865	84,617	757,482
Unallocated assets			<u>123,292</u>
Total assets			<u><u>880,774</u></u>
Segment liabilities	9,762	70,228	79,990
Unallocated liabilities			<u>24,192</u>
Total liabilities			<u><u>104,182</u></u>
For the six months ended 30 June 2020 (Unaudited)			
Other information:			
Addition of right-of-use assets	–	126,087	126,087
Purchases of property, plant and equipment	–	298	298
Addition of film rights and film production in progress	42,813	–	42,813
Depreciation of right-of-use assets			
— Allocated	–	11,583	11,583
— Unallocated			1,224
Depreciation of property, plant and equipment			
— Allocated	–	1,978	1,978
— Unallocated			171
Impairment of film rights and film production in progress	<u>1,138</u>	<u>–</u>	<u>1,138</u>

**(b) Geographical segment**

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets <sup>Note</sup>	
	30 June 2021 (Unaudited) HK\$'000	30 June 2020 (Unaudited) HK\$'000	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
The People's Republic of China (the "PRC")	56,487	40,255	128,320	108,955
Hong Kong	–	–	3,995	6,362
Other countries	<u>126,890</u>	<u>2,101</u>	<u>236,346</u>	<u>318,137</u>
	<u>183,377</u>	<u>42,356</u>	<u>368,661</u>	<u>433,454</u>

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

**6. FINANCE (COSTS)/INCOME, NET**

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Finance costs</b>		
Imputed finance cost on unwinding of discounted other borrowings	–	(2,774)
Interest on bank borrowings	(8)	(1,201)
Interest on lease liabilities ( <i>Note 11</i> )	<u>(1,490)</u>	<u>(1,677)</u>
	<u>(1,498)</u>	<u>(5,652)</u>
<b>Finance income</b>		
Imputed finance income on unwinding of discounted pledged deposit paid	–	2,746
Exchange gain related to other borrowings	<u>–</u>	<u>6,322</u>
	<u>–</u>	<u>9,068</u>
<b>Finance (costs)/income, net</b>	<u>(1,498)</u>	<u>3,416</u>

## 7. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

	<b>Six months ended 30 June</b>	
	<b>2021</b> <b>(Unaudited)</b> <i>HK\$'000</i>	<b>2020</b> <b>(Unaudited)</b> <i>HK\$'000</i>
Depreciation of property, plant and equipment ( <i>Note 12</i> )	<b>265</b>	2,149
Depreciation of right-of-use assets ( <i>Note 11</i> )	<b>13,768</b>	12,807
Provision for impairment of film rights and film production in progress ( <i>Note 13</i> )	–	1,138
Decrease in loss allowance of programmes and films production in progress ( <i>Note 14</i> )	<b>(18)</b>	–
Amortization of completed film rights ( <i>Note 13</i> )	<b>81,513</b>	–
Food and beverage costs in relation to “Bayhood No. 9 Club” operation	<b>4,302</b>	1,889
Labour costs in relation to “Bayhood No. 9 Club” operation	<b>16,397</b>	11,210
Employee benefit expenses:		
Directors’ fees	<b>360</b>	360
Wages and salaries	<b>7,521</b>	7,719
Contributions to defined contribution pension schemes	<b>715</b>	585
	<b><u>8,596</u></b>	<u>8,664</u>

## 8. TAXATION

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current income tax		
— Hong Kong profits tax	—	—
— PRC corporate income tax	—	—
Deferred income tax	<u>147</u>	<u>(20)</u>
Income tax expense	<u>147</u>	<u>(20)</u>

The weighted average applicable tax rate for the six months ended 30 June 2021 was 23.3% (2020: 21.2%).

## 9. 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	
	2021 (Unaudited)	2020 (Unaudited)
Weighted average number of ordinary shares in issue (thousands)	13,498,107	13,498,107
Loss attributable to equity holders of the Company (HK\$'000)	<u>(7,190)</u>	<u>(11,601)</u>
Basic loss per share attributable to equity holders of the Company (HK cents per share)	<u>(0.05)</u>	<u>(0.09)</u>

Diluted loss per share is the same as basic loss per share. The First, Second and Third Contingent Shares (Note 25) are considered to fall within contingently issuable ordinary shares for the six months ended 30 June 2021. The triggering events of issuance of additional ordinary shares did not occur for the six months ended 30 June 2021, and therefore they have no dilutive effect on earnings per share calculation. There were no dilutive potential ordinary shares for the six months ended 30 June 2020.

## 10. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2021 (2020: Nil).



## 11. LEASES

### (i) Amounts recognized in the condensed consolidated interim balance sheet

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

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
<b>Right-of-use assets</b>		
Office	2,412	1,889
Operating assets of "Bayhood No. 9 Club"	51,211	61,814
Apartment	<u>3,322</u>	<u>4,462</u>
	<u><b>56,945</b></u>	<u>68,165</u>
<b>Lease liabilities</b>		
Current	35,197	65,733
Non-current	<u>1,625</u>	<u>2,016</u>
	<u><b>36,822</b></u>	<u>67,749</u>

No addition to the right-of-use assets during the six months ended 30 June 2021 (31 December 2020: HK\$135,858,000).

### (ii) Amounts recognized in the condensed consolidated interim income statement

The condensed consolidated interim income statement shows the following amounts relating to leases:

	<b>30 June 2021 (Unaudited) HK\$'000</b>	30 June 2020 (Unaudited) HK\$'000
<b>Depreciation charge of right-of-use assets</b>		
Office	1,380	1,224
Operating assets of "Bayhood No. 9 Club"	11,248	11,583
Apartment	<u>1,140</u>	<u>—</u>
	<u><b>13,768</b></u>	<u>12,807</u>
	7	
Interest expense (included in finance costs)	6	1,490
Expenses relating to short-term leases (included in administrative expenses)	52	1,677
		46

The total cash outflow for leases for the period ended 30 June 2021 was HK\$34,980,000 (2020: HK\$1,308,000).

### (iii) The Group's leasing activities and how these are accounted for

The Group leases various offices and certain operating assets of "Bayhood No. 9 Club". Rental contracts are generally made for fixed periods of 2 to 3 years, but may have extension and termination options as described in Note 11(iv) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

### (iv) Extension and termination options

Extension and termination options are included in the lease held by the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable only by the Group and not by the respective lessor.

## 12. 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
<b>Six months ended 30 June 2021</b>						
Opening net book amount	-	508	935	-	322	1,765
Additions	-	40	414	-	835	1,289
Acquisition of subsidiaries (Note 25)	-	-	-	152	-	152
Disposal	-	-	-	-	(20)	(20)
Written-off	-	-	-	-	(12)	(12)
Depreciation	-	(55)	(109)	(20)	(81)	(265)
Exchange difference	-	6	13	-	10	29
Closing net book amount	-	499	1,253	132	1,054	2,938
<b>Six months ended 30 June 2020</b>						
Opening net book amount	214	960	963	-	1,599	3,736
Additions	-	277	18	-	3	298
Disposal	-	-	(2)	-	-	(2)
Depreciation	(110)	(638)	(544)	-	(857)	(2,149)
Exchange difference	(2)	(15)	(14)	-	(23)	(54)
Closing net book amount	102	584	421	-	722	1,829

Depreciation expenses of approximately HK\$265,000 (2020: HK\$2,149,000) have been charged in administrative expenses.

### 13. FILM RIGHTS AND FILM PRODUCTION IN PROGRESS

	<b>Completed film rights</b> <i>(Note (a))</i> (Unaudited) <i>HK\$'000</i>	<b>Film production in progress</b> <i>(Note (a))</i> (Unaudited) <i>HK\$'000</i>	<b>Film rights investments</b> <i>(Note (b))</i> (Unaudited) <i>HK\$'000</i>	<b>Total</b> (Unaudited) <i>HK\$'000</i>
<b>Six months ended 30 June 2021</b>				
Opening net book amount	–	341,217	22,307	363,524
Transfer	82,718	(82,718)	–	–
Amortization	(81,513)	–	–	(81,513)
Return of investment	–	(4,269)	–	(4,269)
Exchange difference	(1,205)	997	256	48
	<u>–</u>	<u>255,227</u>	<u>22,563</u>	<u>277,790</u>
Closing net book amount	<u>–</u>	<u>255,227</u>	<u>22,563</u>	<u>277,790</u>
<b>Six months ended 30 June 2020</b>				
Opening net book amount	1,149	234,856	16,745	252,750
Addition	–	42,813	–	42,813
Transfer	3,052	(3,052)	–	–
Impairment	(1,138)	–	–	(1,138)
Exchange difference	(11)	(2,719)	(324)	(3,054)
	<u>3,052</u>	<u>271,898</u>	<u>16,421</u>	<u>291,371</u>
Closing net book amount	<u>3,052</u>	<u>271,898</u>	<u>16,421</u>	<u>291,371</u>

*Note (a):*

As at 30 June 2021, the total cost of completed film rights was approximately HK\$207,412,000 (31 December 2020: approximately HK\$125,899,000) and accumulated amortization and impairment was approximately HK\$207,412,000 (31 December 2020: HK\$125,899,000).

Amortization of completed film rights of HK\$81,513,000 has been charged in condensed consolidated interim income statement during the period ended 30 June 2021 (2020: Nil).

For the six months ended 30 June 2021, no impairment of completed film rights (2020: HK\$1,138,000) was recognized and included in cost of sales.

The Group has entered into certain joint operation arrangements to produce or distribute up to nine (31 December 2020: ten) films. The Group has participating interests ranging from 20% to 50% (31 December 2020: 14.6% to 50%) in these joint operations. As at 30 June 2021, 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 completed film rights and film production in progress of HK\$255,227,000 (31 December 2020: HK\$341,217,000).

*Note (b):*

The balance represented the Group's investments in films productions which entitled the Group to predetermined percentage of income to be generated from the films based on the Group's investment portion as specified in the film rights investment agreements.

#### 14. PROGRAMMES AND FILM PRODUCTION IN PROGRESS

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b> <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
At 1 January	<b>44,832</b>	75,874
Interest receivables	<b>505</b>	2,478
Receipt of investment capital and interest	<b>(17,380)</b>	(2,262)
Decrease in loss allowance	<b>18</b>	–
Exchange difference	<b>172</b>	(557)
	<u><b>28,147</b></u>	<u>75,533</u>
At 30 June	<u><b>28,147</b></u>	<u>75,533</u>

Programmes and film production in progress are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. As at 30 June 2021, the average effective interest rate for the outstanding balance was 6.8% (2020: 7.1%).

#### 15. INTEREST IN AN ASSOCIATE

Set out below is the associate of the Group as at 30 June 2021 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.

Nature of interest in an associate as at 30 June 2021 and 31 December 2020 is as follows:

Name	Place of establishment and kind of legal entity	% of ownership interest		Principal activities and place of operation
		2021	2020	
		HB Entertainment Co., Ltd (“HB Entertainment”)	South Korea, limited liability company	

## 16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
<b>Unlisted securities</b>		
Huayi-Warner Contents Fund	<u><b>562</b></u>	<u>474</u>

Financial asset 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 KRW1 billion (equivalent to approximately HK\$6.8 million) for the establishment of Huayi-Warner Contents Fund. As at 30 June 2021, it represented 11% of the total capital contribution to the fund. The Fund's capital shall be invested in film projects that are produced and distributed by Warner Bros. Korea Inc.

During the year ended 31 December 2020, all partners of Huayi-Warner Contents Fund, including the Group, have mutually agreed to proceed for voluntary liquidation of the fund following Warner Bros. Korea Inc.'s decision to exit the film production market of Korea. The Group has received KRW560,000,000 (equivalent to approximately HK\$3,956,000) for its share of invested capital returned from the fund during the year ended 31 December 2020.

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 2021, the net fair value gain of HK\$88,000 (2020: net fair value loss of HK\$395,000) was recognized in the condensed consolidated interim income statement.

## 17. TRADE RECEIVABLES

At 30 June 2021 and 31 December 2020, the aging analysis of the trade receivables based on invoice date were as follows:

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
3–6 months	<b>3,395</b>	–
7–12 months	<b>3</b>	–
over 1 year	<b>8,288</b>	8,274
Loss allowance	<u><b>(8,315)</b></u>	<u>(8,274)</u>
	<u><b>3,371</b></u>	<u>–</u>

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Prepayments	<b>19,290</b>	19,255
Deposits and other receivables ( <i>Note a</i> )	<u><b>73,030</b></u>	<u>28,722</u>
	<b>92,320</b>	47,977
Less: provision for impairment of prepayments and other receivables ( <i>Note b</i> )	<u><b>(23,137)</b></u>	<u>(23,097)</u>
	<b>69,183</b>	24,880
Less: non-current portion	<u><b>(18,698)</b></u>	<u>(18,486)</u>
	<u><b>50,485</b></u>	<u>6,394</u>

*Note (a):* The increase during the period was mainly due to the advanced payment for the lease of operating assets of “Bayhood No. 9 Club” and the receivable for the net operating profit of “Bayhood No. 9 Club” during the period.

*Note (b):* The difference between the balance as at 30 June 2021 and 31 December 2020 represented the exchange realignment.

## 19. CASH AND CASH EQUIVALENTS

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Cash and bank balances	<u><b>156,838</b></u>	<u>113,837</u>
Denominated in:		
HK\$	<b>54,895</b>	69,144
RMB	<b>68,880</b>	24,935
US\$	<u><b>33,063</b></u>	<u>19,758</u>
	<u><b>156,838</b></u>	<u>113,837</u>
Maximum exposure to credit risk	<u><b>156,780</b></u>	<u>113,777</u>

The Group’s cash and bank balances of approximately HK\$68,863,000 and HK\$24,921,000 as at 30 June 2021 and 31 December 2020, respectively, were denominated in RMB and held in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

## 20. TRADE PAYABLES

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

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Over 6 months	<u><u>300</u></u>	<u><u>–</u></u>

## 21. SHARE CAPITAL

	<b>Ordinary shares of HK\$0.02 each</b>		<b>Preference shares of HK\$0.01 each</b>		<b>Total</b>
	<b>Number of shares '000</b>	<b>HK\$'000</b>	<b>Number of shares '000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Authorized:					
<b>At 30 June 2021 (Unaudited)</b>	<u><u>150,000,000</u></u>	<u><u>3,000,000</u></u>	<u><u>240,760</u></u>	<u><u>2,408</u></u>	<u><u>3,002,408</u></u>
At 31 December 2020 (Audited)	<u>150,000,000</u>	<u>3,000,000</u>	<u>240,760</u>	<u>2,408</u>	<u>3,002,408</u>
Issued and fully paid:					
<b>At 1 January 2021 and 30 June 2021 (Unaudited)</b>	<u><u>13,498,107</u></u>	<u><u>269,962</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>269,962</u></u>
At 1 January 2020 and 30 June 2020 (Unaudited)	<u>13,498,107</u>	<u>269,962</u>	<u>–</u>	<u>–</u>	<u>269,962</u>

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

During the six months ended 30 June 2021, no share options were granted, exercised, cancelled or lapsed, and there was no outstanding option under the New Option Scheme as at 30 June 2021 (2020: Nil).

## 22. COMMITMENTS

### Investment Commitments

At 30 June 2021 and 31 December 2020, total investment commitments in relation to certain film cooperation agreements entered into by the Group are analyzed as follows:

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Not later than one year	<u>–</u>	<u>17,055</u>

## 23. RELATED PARTY TRANSACTIONS

### (a) Related party transactions

Save as disclosed elsewhere in these condensed consolidated interim financial information, the Group had the following related party transactions:

Name of party	Nature of transaction	<b>30 June 2021 (Unaudited) HK\$'000</b>	30 June 2020 (Unaudited) HK\$'000
華誼兄弟電影有限公司 ("Huayi Brothers Film Co., Ltd")* (Note)	Interest revenue calculated using effective interest method	<b>500</b>	1,070
華誼兄弟(天津)品牌管理有限公司 ("Huayi Brothers (Tianjin) Branding Management Co., Ltd")* (Note)	Film and TV programmes exhibition	–	80
Huayi Brothers International Limited ("HBI")	Interest revenue calculated using effective interest method	<b>322</b>	1,170
		<u><b>822</b></u>	<u>2,320</u>

\* English name is made for identification purpose only.

Note: Huayi Brothers Film Co., Ltd and Huayi Brothers (Tianjin) Branding Management Co., Ltd are the subsidiaries of Huayi Brothers Media Corporation, a substantial shareholder of the Company. The above transactions were conducted in the normal course of business of the Group and charged at terms mutually agreed by the parties concerned.



On 2 May 2019, the Company and HBI, a substantial shareholder of the Company, entered into a cooperation framework agreement, pursuant to which the parties have agreed to cooperate in (i) investing in and carrying out media and entertainment projects; and (ii) engaging HBI or its associated company to provide distribution services for certain media and entertainment projects which the Group owns or has acquired the distribution rights in the PRC. For details, please refer to the Company's circular dated 4 June 2019. Pursuant to the above cooperation framework agreement, the Group has not entered into agreement for the investing in and carrying out media and entertainment projects with HBI or its associated company during the six months ended 30 June 2021 (2020: HK\$54,252,000).

**(b) Related party balances**

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Film rights and films production in progress		
– HBI	<b>135,363</b>	139,361
– Huayi Brothers Film Co., Ltd	<b>22,563</b>	22,307
– WR Brothers Inc. ( <i>Note</i> )	–	48,451
Programmes and films production in progress		
– Huayi Brothers Film Co., Ltd	<u><b>5,822</b></u>	<u>14,757</u>
	<u><b>163,748</b></u>	<u>224,876</u>

*Note:* WR Brothers Inc. is the subsidiary of Huayi Brothers Media Corporation, a substantial shareholder of the Company.

**24. CONTINGENT LIABILITIES**

As at 30 June 2021, there are no material contingent liabilities to the Group (2020: Nil).

**25. ACQUISITION OF PINGTAN XINBAN CLINIC COMPANY LIMITED**

On 7 April 2021, the Company, Prowess Investment Limited (“PIL”), wholly owned subsidiary of the Company, and Pingtan Xinban Clinic Company Limited\* (“PTXB”, the “Target Company”) entered into the Capital Increase and Acquisition Agreement, pursuant to which PIL has conditionally agreed to acquire equity interest corresponding to the registered capital of RMB1,000,000 in the Target Company from an existing shareholder and subscribe for new registered capital of RMB19,863,635.80 in the Target Company (which will together comprise 51% of the total enlarged equity interest in the Target Company).

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

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

\* The 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.

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

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

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

Acquisition-related costs of approximately HK\$2,050,000 have been charged to administrative expenses in the condensed consolidated interim income statement for the six months ended 30 June 2021.

The acquired business has recorded no revenue and contributed net loss after tax of approximately HK\$1,887,000 for the period from 29 April 2021 to 30 June 2021. Should the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and loss for period ended 30 June 2021 would have been HK\$183,377,000 and HK\$16,818,000, respectively.

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

## Performance Targets

### *First Performance Target*

During the first year after the completion date, the revenue of the Target Group reaches RMB150,000,000.

### *Second Performance Target*

At any time within one year from the achievement of the First Performance Target, (i) the revenue of the Target Group reaches RMB600,000,000; and (ii) the net profits after taxation of the Target Group reaches RMB40,000,000.

## Contingent payments

Upon satisfaction of the First Performance Target

- (a) RMB11,000,000 to be paid and settled by the allotment and issue of shares to the founding shareholders at the price of HK\$0.529 per share (the “First Contingent Shares”); and
- (b) RMB50,000,000 to be injected into PTXB in cash by PIL.

Upon satisfaction of the Second Performance Target

- (a) RMB50,000,000 to be paid and settled by the allotment and issue of shares to the founding shareholders at the price per share equal to the average closing price of the shares of the Company for the last five consecutive trading days before the date of the achievement of the First Performance Target (the “Second Contingent Shares”);
- (b) RMB43,000,000 shall be paid and settled by the allotment and issue of shares to the founding shareholders at the price per share equal to the average closing price of the shares as quoted on the Stock Exchange for the last five consecutive trading days before the date of the achievement of the Second Performance Target (the “Third Contingent Shares”); and
- (c) RMB10,000,000 to be injected into PTXB in cash by PIL.

The First, Second and Third Contingent Shares (together the “Contingent Shares”) constituted an equity-settled share-based payment transactions, under which shares were granted by the Company to employees of PTXB, who are also the founding shareholders of PTXB for no cash consideration on the completion date of the acquisition and will be vested subject to the fulfilment of the First and Second Performance Targets.

The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve, if any.

The fair value of the shares at grant date was HK\$0.475 per share which was estimated based on the closing market price of the Company’s shares on that date.

During the six months ended 30 June 2021, there were no cancellation nor forfeiture of the Contingent Shares and none of the shares of the Company were vested.

## BUSINESS REVIEW AND PROSPECTS

### Financial Performance

Major indicators of the financial results for the six months ended 30 June 2021 (the “period” or the “first half of 2021”) are summarized in the table below:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Total revenue	183,377	42,356
Gross profit	40,780	17,456
Loss for the period	(9,009)	(11,601)
Loss attributable to equity holders of the Company	<u>(7,190)</u>	<u>(11,601)</u>

	Revenue		Segment Results	
	Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Entertainment and media operations	127,392	3,665	9,117	1,736
Healthcare and wellness services	<u>55,985</u>	<u>38,691</u>	<u>(1,269)</u>	<u>(6,290)</u>
<b>Total</b>	<b><u>183,377</u></b>	<b><u>42,356</u></b>	<b><u>7,848</u></b>	<b><u>(4,554)</u></b>

In the first half of 2021, thanks to the stringent preventive and control measures introduced by the PRC Government against the pandemic of COVID-19 (“the pandemic”), the economy of the PRC has been recovering steadily. At the same time, the country has also embraced the “post-pandemic era” which is epitomized by a gradual change in lifestyle and ways of consumption under digitization in a new era. Online consumer market with sectors like online streaming services, online doctor consultation, home office and distance learning have been expanding rapidly. The Group has been monitoring the market trend and adjusting its strategic direction proactively by arranging the screening of “*Space Sweepers*” and “*Cherry*” on Netflix and Apple TV+ (both are online streaming platforms) respectively. Their debuts helped boosting the total revenue of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) from the Entertainment and Media Operations to approximately HK\$127,392,000 (2020: HK\$3,665,000). Meanwhile, thanks to the pandemic being contained in the PRC continually, the Group’s healthcare and wellness services had resumed their normal operations, with the revenue increasing by 45% to approximately HK\$55,985,000 (2020: HK\$38,691,000). During the period under review, the Group’s total revenue amounted to approximately HK\$183,377,000, representing a period-to-period increase of 3.3 times.

The filming and production works of HB Entertainment Co., Ltd. (“HB Entertainment”), an associate in which the Group holds a stake of 31%, were impeded due to the raggedness of the pandemic in Korea during the period under review. As there had not been any release of new television drama projects during the period, the Group’s share of loss from its associate had increased to approximately HK\$1,917,000 (2020: share of loss of HK\$396,000).

Mainly contributed by the release of “*Space Sweepers*” and “*Cherry*” during the period, the Group’s Entertainment and Media Operations generated a segment profit of approximately HK\$9,117,000 (2020: HK\$1,736,000), representing a period-to-period increase of 4.3 times.

As for the healthcare and wellness services, during the period under review, the Group has, at a consideration of RMB40 million, acquired 51% of the equity interests in Pingtan Xinban Clinic Company Limited (平潭心伴門診部有限公司) (“PTXB”) Group which develops and operates “Lingyi Future” (「領醫未來」), a new retail platform for prescription drugs. Should PTXB Group’s aggregate revenue reaches RMB150 million in the first year after completion of the acquisition and RMB600 million in the following year with consolidated net profits after taxation reaching RMB40 million, the Group will acquire the whole of the equity interests in PTXB Group with a total consideration not exceeding RMB400 million (the initial investment of RMB40 million inclusive). As PTXB Group’s business was still budding and had yet to make significant contributions to the Group, the operation of “Bayhood No. 9 Club” remained the mainstay in terms of revenue generation to the healthcare and wellness services of the Group during the period under review. The effective control of the pandemic in the PRC means that the Club can operate as usual, with proceeds mostly generated from membership subscription, green fee and food and beverages, etc. To attract more clients and increase the revenue, the Club has extended its target customer group to both high-end and mid-tier ones. The healthcare and wellness services recorded a period-to-period increase in revenue by 45% to approximately HK\$55,985,000 (2020: HK\$38,691,000) during the period under review. With a growing awareness of personal health in the post-pandemic era, the demand for outdoor sports activities has soared. Golf playing-related business has therefore been in an upturn again, and performance of the food and beverages operation has in turn recorded a period-to-period improvement. All these factors had contributed to the increase in revenue of the healthcare and wellness services during the period.

## **Market Review**

The fickleness of the pandemic in 2021 has casted a shadow on the recovery of the global economy and different trades, including the entertainment industry which has yet to stage a major rebound. In the PRC, on the other hand, the progress of the re-opening of the economy was much smoother and advanced thanks to the stringent measures against the pandemic, with the business operations not only returning to normalcy but also consolidating steadily. The consumption ability has also grown significantly in 2021: in the first half of the year, the contribution of the final consumption expenditure to the economic growth was as much as 61.7%. According to the National Bureau of Statistics, the Gross Domestic Product in the first half of 2021 amounted to RMB53,216.7 billion, marking a year-on-year increase of 12.7% at comparable prices. Whilst it was 5.6% lower than that of the first quarter, the average two-year growth was 5.3%, which is 0.3% higher than that of the first quarter. These figures show that, with the pandemic becoming more stable, the Chinese market is expected to have a good performance, and the continuous rebound of production and expenditure will keep spurring the economy on.

With the shadow of the pandemic ebbing, the development of the film market in the PRC has come back on track. In the first half of 2021, the total box office receipts of the film market of the PRC continued to lead the entire world after soaring to RMB27.6 billion, representing a recovery by almost 90% from the figure in the same period of 2019. The box office receipts during the Lunar New Year festive period in 2021 was not only the highest ever (over RMB7.8 billion) but also set a few new world records: the best ever performance for the box office in a single market in a single day, as well as over a weekend, etc. According to a survey, the Chinese film audiences rated their satisfaction with regard to the experience during the Lunar New Year period at 85.2, which was an all-time high since the survey began in 2015. The record-high box office proceeds and positive critics are the manifestation of the importance of the film industry in the cultural life of the PRC. With a better and quicker-than-expected recovery and a stable supply of films, the total box office receipts for the whole of 2021 may surpass the milestone of RMB50 billion. Against the backdrop of a clear path of development and an accelerated transformation and upgrading, pre-eminent content and application of technology are expected to be the guiding force in the evolution of the industry.

The performance of the film market in North America has somewhat improved in the first half of 2021 thanks to the increasing vaccination rate, and data from Comscore and Disney show that over 80% of theatres (i.e. 4,700 in total) in North America have already resumed operations. A number of Hollywood blockbusters, such as “*F9: The Fast Saga*” of Universal Pictures and “*Cruella*” of Disney, were again screened in theatres and improved the box office receipts, which has demonstrated an upward trajectory with the monthly figures exceeding US\$1 billion in June. This is a reflection of the strengthening confidence of the consumers, who are no longer satisfied with staying indoors and watching streaming platforms but begin to return to theatres. The Group is cautiously optimistic about the prospect of the film market in North America, and an exponential growth is possible after the pandemic comes under further control.

A bumpy recovery from the pandemic means that the outlook of the film market in Korea may appear less promising. Around 20.02 million tickets were sold in Korean cinemas in the first half of 2021, which signifies a period-to-period drop by 38% from the 32.41 million tickets sold in the same period of last year; box office receipts decreased by 31% from US\$240 million in the same period of last year to US\$160 million. On the other hand, online streaming platforms, such as Netflix, have been making great strides during the pandemic. According to the market research report prepared by Nielsen Koreanclick in June, the subscribers of Netflix in Korea reached a peak of 8,993,785 in January 2021. Welcomed by audience around the globe, Korean TV dramas have achieved high click rates on Netflix. “*Space Sweepers*”, Korea’s first sci-fi space feature film which was financed and co-produced by the Group, was released on 5 February 2021 on Netflix and topped Netflix’s list of popular films for two consecutive days. Given the popularity of Korean films across the globe, the Group anticipates a gradual recovery and a new inflection point for the film industry once the pandemic subsides.

As for the healthcare and wellness services, the operation of “Bayhood No. 9 Club” is now on par with the standard of the pre-pandemic era. The public have attached more importance to pharmaceutical and medical care service and have increased expenditure in these aspects after the pandemic has struck the entire world. According to the data analysis conducted by Deloitte, improvement in income, population ageing and government policies are all the pushing forces behind the rapid development of the medical healthcare market in the PRC, with the relevant annual expenditure rising from US\$579.7 billion in 2014 to US\$896.7 billion in 2019. Digitization, the result of the advancement of technology, catalyzes the medical reformation, leading to the expansion of medical and pharmaceutical e-commerce and internet healthcare. With the users of mobile medical service in the PRC reaching 661 million in 2020, the pharmaceutical and medical care services markets of the PRC possess the biggest growth potential in the world. In view of the robust growth dynamics of medical industry in the future, the Group has been actively setting its footprint in these two markets in the PRC, including investing in “Lingyi Future”, a new retail platform for prescription drugs, during the period under review in order to position itself well for the forthcoming rapid expansion of the industry.

## **Business Review**

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

The pandemic has gradually come under control after the vaccine became available in the first half of 2021, and the entertainment and media businesses across the globe showed signs of recovery. With the progressive re-opening of cinemas across the globe, more films are able to make their theatrical releases and the box office receipts were hence improved. Yet the pandemic has already left its mark on how the audience would watch a film, and the demand for online screening will linger, prompting more films to be shown via the online streaming platforms. The blend of an online and offline viewing experience is reshaping the entire industry which in turn is inspired to upgrade and transform itself so as to explore opportunities under the new economic environment.

In spite of the change in landscape, the Group remains insistent on the quality of content. Driven by the digital transformation, the Group will connect and expand its film businesses in the PRC, Europe and America with online streaming platforms so as to satisfy the taste of the different audience at home and abroad and boost the overall revenue of the Group further. “*Space Sweepers*”, Korea’s first sci-fi space feature film which was financed and co-produced by the Group, became the first ever film of the Group to be screened on a streaming platform, with its global distribution rights (except the PRC) sold to Netflix and aired there exclusively from 5 February 2021 onwards across the globe (in about 190 countries and regions with subtitles of 31 languages). According to the statistics collected by FlixPatrol, five days after its screening on Netflix, “*Space Sweepers*” had already become the talk of the town and the most popular film on this international streaming platform with 678 points. Starring popular and professional actors and actresses like Song Joong-ki and Kim Tae-ri, “*Space Sweepers*” had a production budget of KRW24 billion (equivalent to approximately HK\$160 million) and it was the first reunion of Song Joong-ki and Jo Sung-hee, the director, since “*A Werewolf Boy*”. The Group also possesses the exclusive distribution rights of “*Space Sweepers*” in the PRC and looks forward to introducing the film to the audience in Mainland China at the earliest opportunity.

Meanwhile, “*Cherry*”, another film financed and co-produced by the Group, had its global distribution rights acquired by Apple TV+, an original film platform under Apple Inc., and was premiered online on 12 March 2021. In April 2021, the film was amongst the nominees of the Outstanding Achievement Awards of the American Society of Cinematographers in the feature film category. The first movie directed by the Russo Brothers (Anthony Russo and Joe Russo) since “*Avengers: Endgame*”, “*Cherry*”, starring Tom Holland who featured in the “*Spiderman*” series, is an adaptation from Nico Walker’s semi-autobiographical novel under the same title, in which the author tells his own story as he, serving as an American army medic in Iraq and retiring from the military, suffered from post-traumatic stress disorder (PTSD) after returning home. He became a drug addict along with his wife, and, to satisfy his desire for drugs, eventually degenerated into a bank robber.

Two other blockbusters, namely “*Extinct*” and “*Moonfall*” which are financed by the Group, will also be screened in succession. “*Extinct*”, an original animated comedy aiming for family viewing, will be screened through online platform as well as making theatrical release. “*Extinct*” was on theatres in some parts of Europe since the second half of the year, while the theatrical release in the PRC is under arrangement. The distribution rights for the rest of the world have been sold to Netflix for airing later in the second half of the year, bringing a fresh round of revenue to the Group by then. The story involves a species of fluffy animals called “Flummels” living in the Galápagos Islands in the 19th Century. Op and Ed, Flummels and siblings to each other, accidentally time-travel to modern-day Shanghai and discover that Flummels will become extinct. They therefore decide to travel back in time and save their race. “*Extinct*” is directed by David Silverman (the famous director of “*The Simpsons Movie*” and “*Monsters, Inc.*” who has been honoured with four Emmy Awards) and the voice cast features Zazie Beetz (who has starred in “*Deadpool 2*” and “*Joker*”). On the other hand, the shooting of “*Moonfall*”, a Hollywood sci-fi and disaster tentpole, is completed and is currently at the post-production stage. Expected to be released in 2022, the film is directed by Roland Emmerich (the director of “*2012*”, “*The Day After Tomorrow*” and “*Independence Day*” series) and is a production in partnership with Roland Emmerich, Centropolis Entertainment, Street Entertainment, Huayi Brothers International Limited and the Group. It tells the story that the moon, being driven out of orbit by a mysterious force, is on course for collision with the Earth and the gravitational imbalance sends the Earth into chaos. Amidst the desperation, a seemingly disorganized squad decides to fight the final battle in order to protect the Earth and humankind.

The Group has also acquired the PRC distribution rights of “*Chaos Walking*” which is scheduled to be premiered in the PRC on 27 August 2021. “*Chaos Walking*”, a sci-fi movie adapted from Patrick Ness’s bestselling novel, is produced by the Lionsgate and starring Tom Holland of the “*Spiderman*” series and Daisy Ridley (the Jedi in “*Star Wars*”). The film is about a town where only the men survive after all the women were killed by a virus called “Noise”. The survivors can read the others’ minds and now try to look for the transmitter of the virus in order to seek revenge.



In spite of Korea's bumpy recovery from the pandemic, the Group remains optimistic about the long-term development of Korean films and television dramas in Korean and overseas markets especially on streaming platforms, with the positive reviews of "*Space Sweepers*" on Netflix a clear indicator of their exciting prospects. The success of "*Space Sweepers*" also consolidates the Group's status in the Korean market. On the other hand, HB Entertainment, the associate in which the Group holds a stake of 31%, continues to engage itself in the production of and investment in outstanding films and television dramas, the management of artists and further expansion of business in South Korea. During the period under review, HB Entertainment's production and business expansion had been severely hampered by the pandemic and did not have any new products. Judging from the outstanding reviews and viewership of the television dramas produced by HB Entertainment, the Group is confident that, once the pandemic in Korea subsides, HB Entertainment will be able to continue the production of superb dramas and generate revenue for the Group thanks to its sharp intuition to the Korean market.

## **(2) *Healthcare and Wellness Services***

During the period under review, the Group's healthcare and wellness services focused on the operations of "Bayhood No. 9 Club", a healthcare and wellness centre which the Group continues to operate on a lease basis which lasts until 2023. It is one of the top green health clubs in the PRC with well equipped facilities such as a standard 18-hole golf course, lakeside golf course private VIP rooms, spa facilities as well as Asia's first PGA-branded golf academy, offering professional and excellent healthcare and wellness services to middle- and high-end enterprises and individual clients. During the period under review, the membership of "Bayhood No. 9 Club" remained steady and businesses related to golf playing and food-and-beverages have returned to normalcy following the abatement of the pandemic in the PRC and the resumption of economic activities. All in all, revenue contributions amounted to approximately HK\$55,985,000 was made to the Group in the first half of the year, being a year-on-year increase of 45%. While the golf course was closed as usual during the winter and re-opened in the end of March, the burgeoning awareness of the importance of outdoor activities and personal health in face of the pandemic helped enhance the demand for golf playing-related business. Coupled with the augmentation of the food-and-beverages-related business, the overall revenue of the healthcare and wellness services had been satisfactory. With the operations of "Bayhood No. 9 Club" being self-sustaining at present, the Group will continue to endeavour to step up its efforts in cost controls, so as to maintain the profit margin and stable operations of the healthcare and wellness services.

The Group has grabbed the market opportunities brought forth by the growing demand for health services in the post-pandemic era by acquiring 51% of the equity interest in PTXB Group with RMB40 million during the period under review. Subject to PTXB Group's aggregate revenue reaching RMB150 million in the first year after the completion of acquisition and RMB600 million in the following year with consolidated net profits after taxation reaching RMB40 million, the Group will acquire the whole of the equity interests in PTXB Group with total consideration not exceeding RMB400 million (the initial investment of RMB40 million inclusive). PTXB Group is the developer and operator of "Lingyi Future", a new retail platform for prescription drugs which connects medical practitioners, patients and physical pharmacies by establishing a closed loop from issuance of electronic prescriptions by doctors, order of prescription drugs at pharmacies by

patients, online payment to delivery of the drugs prescribed. At the moment the platform mainly operates in Henan, Shanxi, Shaanxi and Guangxi areas, with a view to rapidly replicating its operation nationwide. The accelerated digital transformation of the medical system, driven by the trend of the internet and the reform of the healthcare system of the PRC, convinces the Group that PTXB Group possesses an enormous development potential.

## **Business Outlook**

During the first half of 2021, the rolling out of vaccines and a universal vaccination campaign have gradually suppressed the pandemic and the worldwide film industry has hence shown signs of recovery. Looking ahead to the second half of 2021 and 2022, the road to full recovery will be smoother when the worldwide theatres and film production projects resume complete normalcy and relevant favorable measures to the industry are implemented by governments. With the successive completion of film projects which the Group has financed and produced, it is expected that a number of films will be screened in the second half of 2021 and 2022. By screening films across the globe via different channels in succession, the Group believes that they are capable of achieving excellence and enhancing the revenue of its Entertainment and Media Operations.

On the other hand, the trend of convergence of online and offline film watching is growing more evident. Film distributors have been actively adjusting their positions in view of the revolution of the industry and seeking a way to a diversified mode of cooperation in order that they may acquire the largest possible vitality and achieve a sustainable development. The “stay-at-home” economy arising from the pandemic has changed the way of living, with watching films at home becoming the norm for many consumers. Hulu and Amazon have also elbowed their ways into the international streaming media market. Though the increase in the number of new subscribers on Netflix has slowed down in the first quarter of 2021, a study made by Jefferies, a global investment bank, shows that the engagement of its subscribers has increased significantly, with 38% of subscribers watching more than 10 hours per week, compared to 16% in the time of pre-pandemic. The impact of and demand for streaming platforms were obvious, the Group has been actively strengthening its cooperation with various international streaming platforms in order to have its products screened both online and offline. By doing so, more premium films and dramas will be able to be presented to the audience.

Films from North America remain an integral part of the global film market, with the production of Hollywood earning raving reviews from the audience. To enable more people to watch films at any time and place they want, the Hollywood blockbusters have also set foot on the market of online streaming platforms. The simultaneous screening of the films in physical theatres and streaming platforms is considered a complementing business model which can increase the overall return. The Group has always been monitoring closely the latest trend of Hollywood movies and their modus operandi, as well as actively financing and producing films with top quality. Amongst them, the animated comedy “*Extinct*” will be presented to the worldwide audience in the second half of the year both in cinemas and on streaming platforms. And “*Moonfall*”, a Hollywood sci-fi and disaster blockbuster, is now at the post-production stage and is expected to be released in 2022. The Group will continue its pursuit of outstanding film projects and look for opportunities in cooperating with top-notch film studios and producers in Hollywood on developing projects, so that different quality works may be presented to the audience continuously.

In recent years, the Korean films have not only won worldwide attention but also repeated recognition of the market and international accolades due to their splendid productions. “*Space Sweepers*”, Korea’s first sci-fi movie which was financed and co-produced by the Group, was screened at the beginning of the year on Netflix and received worldwide admiration, topping the chart in multiple countries at one point. The Group believes that the demand for Korean films and television dramas across the world will continue to soar and that they possess immense potential for development. Therefore, through its associate HB Entertainment, the Group will come up with more excellent products for further presentation to the audience and enrichment of quality Korean IP.

As for healthcare and wellness services, the long-term development of internet healthcare has received policy support ever since the State Council issued the document “Opinions of the General Office of the State Council on Promoting the Development of ‘Internet plus Health Care’” in 2018. In addition, due to the need to reduce social contact under the shadow of the pandemic, the services rendered by internet healthcare, online doctor consultation and pharmaceutical and medical e-commerce have all become very important. In 2020, the active clients of internet healthcare amounted to over 60 million every month, and it can be said that the habit of using online medical service has been formed and has become indispensable in life. The Group is aware of the potential for development of the internet healthcare and medical service markets, and has been actively seeking investment opportunities. The acquisition of “Lingyi Future”, a new retail platform for prescription drugs, and the encouragement coming from a number of policies are expected to contribute new opportunities and revenues to the Group. As the pandemic is coming under control in the PRC, the business of “Bayhood No. 9 Club” returns to normal and a continuous and stable stream of revenue is expected due to the increasing public demand for outdoor sports. The Group will also continue the preventive hygiene measures in place at the Club in order to provide a hygienic and safe environment to the clients and ensure the Club’s stable operation.

## **FINANCIAL REVIEW**

Total revenue for the six months ended 30 June 2021 amounted to approximately HK\$183,377,000 (2020: HK\$42,356,000), being a 3.3-time increase comparing to the same period in prior year. The significant growth of revenue is mainly driven by the “Entertainment and Media” segment, whose revenue boosted to approximately HK\$127,392,000 (2020: HK\$3,665,000), mainly due to the release of “*Space Sweepers*” and “*Cherry*” on Netflix and Apple TV+ respectively during the period. Revenue from “Healthcare and Wellness Services” segment amounted to approximately HK\$55,985,000 (2020: HK\$38,691,000) for the six months ended 30 June 2021, being a 45% increase comparing to the same period in prior year. During the period under review, the membership of “Bayhood No. 9 Club” remained steady and businesses related to golf playing and food-and-beverages have returned to normalcy following the abatement of the pandemic in the PRC and the resumption of economic activities.

Cost of sales for the six months ended 30 June 2021 amounted to approximately HK\$142,597,000 (2020: HK\$24,900,000), being a 4.7-time increase comparing to the same period in prior year. The significant increase is mainly due to the recognition of the Group’s share of production cost of “*Space Sweepers*” and “*Cherry*” which were released during the period. Gross profit for the six months ended 30 June 2021 increased around 1.3 times, amounting to approximately HK\$40,780,000 (2020: HK\$17,456,000).

Other income and other gains/(losses), net, mainly comprising of share of subsidies for movie production, exchange differences, interest income and fair value change in financial assets at fair value through profit or loss, amounting to a net gain of approximately HK\$10,951,000 (2020: net loss of HK\$557,000). The significant increase is mainly attributed to the recognition of the share of subsidies for movie production of approximately HK\$10,645,000 (2020: Nil) following the movie releases during the period.

Marketing and selling expenses for six months ended 30 June 2021 increased significantly to approximately HK\$12,481,000 (2020: Nil). The amount mainly represented the Group's share of distribution fees and promotion and advertising expenses for the release of "*Space Sweepers*" and "*Cherry*" during the period.

Administrative expenses for the six months ended 30 June 2021 increased by 43% to approximately HK\$44,991,000 (2020: HK\$31,500,000). The increase was mainly due to the incurrence of R&D and other administrative expenses following the acquisition of PTXB Group, additional legal and professional fees incurred for the PTXB Group acquisition, and the share of administrative expenses for movie releases during the period.

Share of result of an associate for the current period represented the share of loss of HB Entertainment, an associated company of the Group. As HB Entertainment had not released new television drama projects during the period, the Group's share of loss has increased to approximately HK\$1,917,000 (2020: HK\$396,000).

Finance costs, net, for the period ended 30 June 2021 amounted to approximately HK\$1,498,000 (2020: Finance income, net of HK\$3,416,000), which mainly comprised of interest on lease liabilities (refer to Note 11 to the condensed consolidated interim financial information for details).

## **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 2021, the Group held cash and cash equivalents of approximately HK\$156,838,000 (31 December 2020: HK\$113,837,000), being a 38% increase comparing to the balance as at 31 December 2020.

The Group is at net current asset position of HK\$136,978,000 as at 30 June 2021 (31 December 2020: HK\$64,439,000). The current ratio, representing the total current assets to the total current liabilities, increased from 1.64 as at 31 December 2020 to 2.34 as at 30 June 2021. All these figures/ratios improved following the recovery of invested capital to the movie projects released during the period.

The debt to equity ratio, representing the sum of borrowings to total equity, remained very low at 0.002 as at 30 June 2021 (31 December 2020: Nil).

## **Foreign Currency Exchange Exposure**

The Group has operations and investments in China, Korea, the USA and Hong Kong, and is mainly exposed to foreign exchange risk arising from Chinese Renminbi and Korean Won currency exposures, primarily with respect to the Hong Kong dollars. During the period, fluctuation in Chinese Renminbi and Korean Won against Hong Kong dollars resulted in the net exchange gain of approximately HK\$1,023,000 (2020: net exchange loss of HK\$1,342,000). In addition, exchange gain related to revaluation of other borrowings amounted to approximately HK\$6,322,000 during the six months ended 30 June 2020. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure from Chinese Renminbi and Korean Won but manages through constant monitoring to limit as much as possible its net exposures.

## **Capital Structure**

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

During the six months ended 30 June 2021 and 2020, the Company has not issued new ordinary shares.

## **CHARGE OF ASSETS AND CONTINGENT LIABILITIES**

As at 30 June 2021 and 31 December 2020, the Group did not have any material contingent liabilities or guarantees.

## **HUMAN RESOURCES**

As at 30 June 2021 the Group employed a total of 92 (31 December 2020: 21) full-time employees in Hong Kong and the PRC, and continued to manage “Bayhood No.9 Club” operations with 325 (31 December 2020: 314) full-time employees in the PRC. In addition, the Group has entered into several joint operation arrangements to produce or distribute films. The crew members employed under such joint operation arrangements have not been included in the above statistics.

The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel are remunerated by monthly salary which is reviewed by the Group from time to time and adjusted based on performance. In addition to salaries, the Group provides staff benefits including medical insurance, contribution to staff provident fund and discretionary training subsidies. Share options 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 2021, the Company has applied the principles and met the code provisions of the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 14 to the Listing Rules on the Stock Exchange with the exception of the following deviation:

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.

The Company has not appointed Chairman since 30 March 2021 and Mr. YUEN Hoi Po, the Executive Director and Chief Executive Officer of the Company has temporarily taken up the day-to-day management responsibilities as the Chairman.

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

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES**

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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 2021.

The Code of Conduct applies to all the relevant employees as defined in the CG Code, including any employee of the Company, or director or employee of a subsidiary or holding company of the Company who, because of their office or employment, is 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 2021 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](http://www.huayitencent.com)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report of the Company for 2021 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in due course.

## **APPRECIATION**

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

By Order of the Board  
**Huayi Tencent Entertainment Company Limited**  
**YUEN Hoi Po**  
*Executive Director*

Hong Kong, 20 August 2021

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

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