

[Immediate Release]

H.BROTHERS ENTERTAINMENT

華誼騰訊娛樂

Huayi Tencent Announces 2017 Annual Results

Core Business Enters Growth Trend, Segment Revenue Surges 3.4x

Results Highlights:

- Revenue from Entertainment and Media Operations surged 3.4 times year-on-year (“YoY”) to approximately HK\$52.04 million, accounting for 31% of total sales revenue from continuing operations (2016: 9%, +22 ppt. YoY)
- Driven by strong growth in the Group’s core business segment, revenue for the Year increased 31% to approximately HK\$167 million
- Net loss for the Year was HK\$102 million, down 26% as compared with the same period last year
- The Group jointly established the Huayi-Warner Contents Fund (the “Fund”) with, among others, Warner Bros. Korea Inc. (“Warner Bros.”), a subsidiary of Warner Bros. Entertainment Inc. The Fund’s first movie project, *V.I.P.*, was released in South Korea in August 2017, with the local box office hitting KRW 11 billion. Five more movies are expected to be released in 2018.

(26 March 2018 – Hong Kong) **Huayi Tencent Entertainment Company Limited** (“**Huayi Tencent Entertainment**,” the “**Company**”; stock code: 00419.HK; together with its subsidiaries collectively known as the “**Group**”) today announced its annual results for the year ended 31 December 2017 (“**2017**” or the “**Year**”).

During the Year, the Group’s continuing operations were segmented into Entertainment and Media Operations (the “Core Business”) and Offline Healthcare and Wellness Services (“Offline Healthcare Business”), which recorded annual revenues of approximately HK\$52.04 million and HK\$116 million, or 31% and 69% of total revenue, respectively. *Rock Dog* was distributed in cinemas worldwide, followed by its release on cable television and DVDs during the Year, driving segment revenue growth up 340% YoY, equivalent to about 31% of total revenue, up 22 ppt. YoY as compared with 2016, demonstrating progress in the development of the Group’s core business. Driven by strong core business growth, revenue from the Group’s continuing operations increased 31% to approximately HK\$167 million during the Year, while net loss narrowed by 26% to approximately HK\$102 million.

Regarding the Group's content investments, *Rock Dog*, the first Sino-U.S. original 3D animated comedy film, was distributed in cinemas across North America, Europe, Asia, Latin America, and Africa in 1H2017, followed by its release on cable television and DVDs in 2H2017 by North American distributor Summit Entertainment (a subsidiary of Lionsgate Entertainment), contributing HK\$52.04 million in revenue to the Group during the Year.

In addition to prime film projects, the Group also sought opportunities for purchases, mergers and acquisitions, and collaboration in overseas film and TV entertainment during the Year. As one of China's first media and entertainment giants to explore globalisation, our controlling shareholder, Huayi Brothers, has maintained longstanding and stable strategic partnerships with high-caliber producers overseas. Leveraging its controlling shareholder's resources, the Group successfully expanded its footprint in Korea during the Year, through establishing a dedicated fund in collaboration with Warner Bros., which provides capital support for Korean film projects that are invested, produced, and distributed by Warner Bros. The Korean film industry performed exceptionally well in 2017, reporting strong box-office performances in local and other Asia-Pacific markets. The Fund's first movie project, *V.I.P.*, was one of the highest grossing and highest rated films during the 2017 summer holiday season, attracting 1.373 million viewers and drawing total box-office receipts of approximately KRW 11 billion. Additionally, the film has heightened public interest in films featuring the relationship between North and South Korea.

During the Year, the Korean film market set a new record of approximately 220 million cinema attendees, with Korean films capturing a 53% market share in South Korea, winning over half the market for the seventh consecutive year. Given high local demand for Korean movies, along with an ever-growing Korean Wave attracting huge global audiences to high-quality Korean movies, the Group maintains an optimistic outlook on the demand for Korean films in local and overseas markets. The Fund will accelerate its pace of releasing more movies, including five new movies in the pipeline. The five films namely *Champion*, *Bad Lieutenant*, *The Witch*, *Jin-Roh*, and *Best Friend*, covering different genres and themes including science fiction, action, thriller, family comedy and crime, are planned to be released in 2018. The five movies are directed by directors with excellent track records, and starred by various appealing actors and actresses, which will ensure their market appeal. Due to positive forecasts for box office performance of these movies, the Group, one of the founders with a capital contribution accounting for 10% of the Fund's total initial capital investment, is expected to benefit from the Fund's return on investment.

Adequate capital support is essential for investing in film projects, as well as seizing opportunities for acquisitions, mergers, and strategic collaborations in the international arena. Therefore, the Group has proactively curtailed its non-core operations to direct liquidity towards its core operations during the Year. The Group has disposed of its entire equity interests in Beijing Bayhood No.9 Cloud Health Technology Company Limited to an independent third party for a consideration of RMB10 million. The disposal marked the completion of the Group's disengagement from the online healthcare business. Segment revenue from the Group's continuing offline healthcare operation was approximately HK\$116 million, representing a slight decrease of 1% from the previous year, mainly due to the more competitive operating environment in this sector.

Mr. Wang Zhongjun, Chairman of the Company, said, "World-wide box office receipts hit a new record in 2017, while China's box office receipts rebounded to double-digit growth, largely driven by higher-quality movies and a recovery in cinema attendance. We believe China's film market is entering a golden age, driven by advancements in content creation. We have every faith that films with global perspectives and high quality production will gain wide acceptance in the Chinese market. China is on the verge of becoming the largest movie market in the world. With North America's leading position in film production, cutting-edge technologies, and top talent resources, coupled with increasing interest in high-quality Korean movies, the Group will continue to strengthen its collaborations with production companies from North America and South Korea, with a view to bringing more quality films and TV programs to a global audience. The Group will also keep a close eye on opportunities to invest in other forms of entertainment including games, music, and others, so as to diversify our presence in the cultural and entertainment industry and improve our profitability. This will help us build a more sustainable business development model to support long-term and stable earnings for shareholders."

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About Huayi Tencent Entertainment Company Limited

Huayi Tencent Entertainment Company Limited (Stock Code: 00419.HK) is a new media company integrating culture and entertainment. It produces quality international films, animations, and TV dramas, and invests in international entertainment companies through M&As and resource integration, aimed at building an integrated platform with both content development and online-to-offline entertainment channels. Currently, Huayi Brothers (Stock Code: 300027.SZ) and Tencent (Stock Code: 0700.HK) are the controlling shareholders of Huayi Tencent Entertainment.

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