

[Immediate Release]

**H. BROTHERS** ENTERTAINMENT  
**華 誼 騰 訊 娛 樂**

## Huayi Tencent Announces 2017 Interim Results

(28 August 2017 – 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 interim results for the six months ended 30 June 2017 (the “**Period**”).

### Results Highlights for the Period – the revenue for the Period achieved a 5% increase, mainly attributable to the 1.4 times increase in core business revenue

- The core business segment “Entertainment and Media” achieved revenue amounted to HK\$5.6 million, representing a 1.4 times increase year on year
- The revenue for the Period amounted to approximately HK\$67.33 million, representing a 5% increase, attributable to an increase in the core business
- Excluding the provision for impairment of certain film rights, prepayments and investment in an associate of approximately HK\$63.1 million, loss for the period from continuing operations amounted to approximately HK\$9.7 million, representing a 83% reduction from the loss for the same period last year.
- During the Period, the Group jointly established Huayi-Warner Contents Fund with, among others, Warner Bros. Korea Inc. (“a subsidiary of Warner Bros. Entertainment Inc.” or “Warner Bros. Korea Inc.”). The fund’s first movie project, *V.I.P.*, has just been released in South Korea on 23 August 2017. It netted more than KRW7.7 billion in local box office receipts as of 27 Aug 2017 and had ranked number one in single-day box office receipts since its release.<sup>1</sup>

During the Period, entertainment and media operations and online healthcare services both recorded significant revenue growths, while the revenue from offline healthcare and wellness services reported a moderate decline, resulting in the Group reporting total revenue of approximately HK\$67.33 million, representing approximately a 5% increase year on year. However, the Group recorded a consolidated net loss of HK\$72.77 million for the Period; primarily due to impairment provisions for certain film rights assets, prepayments and investment in an associate

<sup>1</sup> KOFIC: <http://www.kobis.or.kr>

during the Period. Entertainment and media operations recorded a segment loss of approximately HK\$71.37 million.

**The entertainment and media segment exhibited good performance, jointly entered the South Korea film market with a subsidiary of Warner Bros. Entertainment Inc.**

Capitalizing on the considerable and extensive resources of Huayi Brothers Media Corporation (“Huayi Brothers”), a controlling shareholder of the Group, in the media and entertainment industry, the Group contributed during the Period KRW1 billion (equivalent to approximately HK\$ 6.8 million) in capital to jointly establish Huayi-Warner Contents Fund with a subsidiary of Warner Bros. Entertainment Inc. Through this, the Group intended to invest in premier Korean film projects to be produced and distributed by Warner Bros. Korea Inc. Warner Bros. Korea Inc. has a strong track record with total box office receipts of US\$136 million (equivalent to approximately HK\$1.06 billion) from films distributed in South Korea in 2016.

Released in South Korea on 23 August 2017, the first movie project *V.I.P.* by Huayi-Warner Contents Fund was directed by Park Hoon-jung, a famous director in South Korea. It is an action horror movie starring the famous Korean actors Jang Dong-gun and Lee Jong-suk. *V.I.P.* has been drawing much attention from the audiences and enjoying great popularity in South Korea this summer with this capable cast lineup and an innovative story plot, resulting in strong box office performance. *V.I.P.* achieved KRW1.324 billion in local box office receipts and topped box office rankings in South Korea with 174,000 audiences on the release date. This puts an end to the record by *A Taxi Driver* (which had been the first movie in South Korea to beat the 10-million-audience mark this year) with first ranking in single-day box office receipts for 21 consecutive days. According to the Korean Film Council, *V.I.P.* achieved over KRW7.7 billion in accumulated local box office receipts and over 940,000 accumulated audiences since its release.<sup>2</sup> Lee Jong-suk played for his first time a villain role in *V.I.P.*, which will become another famous film by Park Hoon-jung, a director renowned for his crime theme film projects including his masterpiece *New World* which received multiple nominations for Blue Dragon Awards. The market is bullish about *V.I.P.*'s box office momentum. The excellent performance for *V.I.P.* marks the first successful step forward for the Group in entering the South Korea film market. Through Huayi-Warner Contents Fund, the Group will be able to participate in a large number of high quality film projects in Korea with excellent box office performance potential and reputations, bringing in a lucrative source of revenue.

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<sup>2</sup> KOFIC: <http://www.kobis.or.kr>

*Rock Dog* - an original Sino-U.S. 3D animated comedy film that the Group invested in, was distributed in the North American region, featured in over 2,000 screens, on 24 February 2017. *Rock Dog* achieved box office receipts of approximately US\$9.42 million. *Rock Dog* was also distributed globally during the first half of 2017, whereby the film was introduced to continents including Asia, Europe, Latin America and Africa, covering countries of Russia, Turkey, Ukraine, Poland, Greece, Brazil and South Africa. At present, the film's distribution via cable TV networks and DVD releases in the North American region are also being carried out by Lionsgate Entertainment.

During the Period, the 10 film production projects in collaboration with China Lion Entertainment, the largest producer and distributor of Chinese films and TV programs in North America, were progressing smoothly as planned. Of these, *Kill Me Now*, an action comedy directed by Peter Segal, and *Spaghetti VS. Noodle*, a gourmet and romantic comedy with its screenplay written by Pete Chiarelli, will be starring top celebrities from China and the U.S., and are scheduled to be released globally in 2018.

**The offline healthcare business remained steady, the Group will reappropriate the resources to the core business upon completion of the disposal of the online healthcare business**

During the Period, the Group continued the operation of "Beijing Bayhood No.9 Club", an offline healthcare and wellness center in PRC, and "Kangxun Xuetang", an online platform targeting at managing chronic diseases such as diabetes. In the first half of 2017, the number of members of "Beijing Bayhood No.9 Club" remained stable and the offline healthcare business contributed revenue of approximately HK\$55.92 million to the Group, representing a slight change from the same period last year.

After three years of investment, the Group's online healthcare business has taken an initial shape. The Group operated "Healthcare Stations" in more than 10 provinces in China in hand with insurance companies during the Period. Revenue from the "online healthcare service" segment also increased by 45% to approximately HK\$5.85 million, yet it still recorded a segment loss of HK\$3.50 million. The Group's online healthcare business has been loss-making for the third consecutive year. As the mobile healthcare industry of China is still in a stage of exploring the right direction, even industry leaders in this sector have yet to find a suitable profit-making model. Upon prudent consideration of the development and prospect for this industry, the Group announced on 14 July 2017 the conditional disposal of its entire equity interest in Beijing Bayhood No.9 Cloud Health Technology Company Limited to an independent third party at a cash consideration of RMB10 million. All the proceeds from the disposal will be used as working capital of the Group for the development of its core business. Upon

completion of the disposal, the Group will cease the operation of the online healthcare business.

**Mr. Wang Zhongjun, Chairman of the Company**, said, “The per capita income of Chinese residents increases steadily against a backdrop of the improving economic environment. This establishes a firm footing for rapid expansion in the audience population for steady development of the Chinese film market. The size of the Chinese film industry will reach to RMB200 billion by the year 2020. Hollywood films have always been well received by the Chinese audience for their major IP and high quality. China has become the biggest overseas film market of Hollywood movies since 2012. Capitalizing on the box office appeal of Hollywood movies in China even in the global market, the Group will cater to the market demand by actively seeking opportunities to collaborate or invest jointly with world-class directors and well-known studios from Hollywood, and by accumulating the Group’s quality overseas IP resources for lucrative investment returns. In addition to landing footholds on Hollywood, we are also bullish about development of the film industry in South Korea. With the strong affection and support of Korean audiences in the locally-produced films, and the production of films in the politics and crime genres that earned good reputations in recent years, we believe that the demand for high-quality Korean film products will increase both in the domestic Korean market and in other regions in Asia. We will continue to proceed our investments in the production of Korean films through Huayi-Warner Contents Fund to enhance the Group’s branding and maximize value for our 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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