

[For Immediate Release]

H.BROTHERS ENTERTAINMENT**華 誼 騰 訊 娛 樂****Huayi Tencent announces 2016 Annual Results**

Continuing operations :

For the year ended 31 December	2016 (HK\$'000)	2015 (HK\$'000)	Change
Total revenue	135,633	122,838	+10.42%
Gross profit	21,791	55,179	-60.51%
Loss before finance costs and income tax	(138,947)	(127,813)	+8.71
Loss before income tax	(138,714)	(128,033)	+8.34
Loss for the year	(138,800)	(132,645)	+4.64

Discontinued operations :

Profit/(loss) for the year	21	(364,351)	N/A
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(24 March 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**”) is pleased to announce its annual results for the year ended 31 December 2016 (the “**Year**”).

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

During the Year, the Company introduced Huayi Brothers Media Corporation (“**Huayi Brothers**”) and Tencent Holdings Limited (“**Tencent**”) as its controlling shareholders and officially changed its

English name to Huayi Tencent Entertainment Company Limited, a true testimony to the Groups' approach in business development and the close collaboration between the newly appointed directors and management, all in an effort to build the Company into a listing platform for those engaged in the development of overseas media and entertainment industry. Following the business development pattern of our controlling shareholder Huayi Brothers, the Group commenced content investment and production during the Year. The Group is in negotiation about collaborating with first-class directors, aiming to gradually build its own pool of quality IP resources. In addition, the Group focused on the development of overseas markets by adopting an approach centred around market demand; it also explored opportunities to develop film projects in collaboration with top directors from Hollywood or invest in TV dramas with renowned studios, with a view to laying a solid foundation to facilitate globalisation of the Group's operations.

The series of share subscriptions which introduced the controlling shareholders generated proceeds of approximately HK\$547 million for the Company. The entire amount of these proceeds has been used to invest in ten film production projects in collaboration with China Lion Entertainment as well as Rock Dog, an original Sino-U.S. 3D animated comedy film. As of the date of this results announcement, Rock Dog recorded total box office receipts of over US\$9 million in North America. In addition, Rock Dog is expected to be distributed worldwide across Asia, Europe, Oceania and Latin America in 2017. This, coupled with the large animation DVD and TV market in North America, is expected to generate revenue for the Group continuously in 2017.

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

Besides, the Group has completed the first phase of HB Entertainment Co., Ltd. ("HB Entertainment") acquisition at KRW42.127 billion (equivalent to approximately HK\$278 million) and currently holds approximately 22% equity interests of HB Entertainment. The Group plans to further raise its shareholding in HB Entertainment to 30% in the beginning of 2018. HB

Entertainment is primarily engaged in production and investment of films and TV dramas in South Korea. Its new TV series *Cinderella and Four Knights* debuted on TVN in South Korea and iQIYI in China simultaneously on 12 August 2016. Directed by Kwon Hyuk Chan (the director of *Master's Sun*) and starring Korean famous actors such as Jung Il-woo, Ahn Jae-hyun and Park So-dam, *Cinderella and Four Knights* is another Korean TV production broadcasted simultaneously in China and South Korea after *Descendants of the Sun*. Immediately after its debut, the series has captured great attention from Korean audience, with a debut rating of 3.5% and hitting 4.3% as the highest among TV dramas during the same timeslot in Korean cable TV channels. Meanwhile, its debut on the Chinese video website iQIYI also enjoyed good ratings and reputation, recording a total of more than 900 million views and a rating of 8.5 as of 1 March 2017. Directed by Kwak Junghwan and starring Ji Chang-wook, Song Yoon-ah, etc., *The K2* debuted in September 2016 and recorded an average viewership rate as high as 4.865% in South Korea, topping the list of drama programmes.

For Healthcare and Wellness Services, the business of offline healthcare and wellness services remained stable and contributed revenue of approximately HK\$116 million to the Group, representing a year-on-year increase of 5% during the Year. On the other hand, the market for China's online healthcare business is still groping its way towards the right direction. Having considered the development and prospect of this sector in a prudent manner, the management had reduced the investment into the online healthcare business significantly during the Year, with a view to curbing loss. The management had also considered various feasible options actively, including further reducing the investment in and size of the business, introducing other investors and partners, and even disposing of the business in whole or in part.

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

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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.

Media Contacts

Financial PR (HK) Limited

Ms. Dawn Lee Email: dawnlee@financialpr.hk

Ms. Canace Xie Email: canacexie@financialpr.hk

Tel: (852)2610 0846

Fax: (852)2610 0842