

[Immediate Release]

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華 誼 騰 訊 娛 樂

Huayi Tencent Entertainment Announces 2019 Interim Results
Film projects worldwide paves way for revenue growth

Results Highlights:

- During the Period, the Group's continuing operations were segmented into Entertainment and Media Operations and Offline Healthcare and Wellness Services, which recorded total revenue of HK\$48,076,000. The revenue from the Entertainment and Media Operations recorded approximately HK\$451,000 during the Period due to a lack of new theatrical release by the Group.
- HB Entertainment, in which the Group holds a stake of 31%, had recorded a quite remarkable financial performance and hence boosted its contribution to the Group. The Group's share of profit amounted to approximately HK\$5,221,000; the consolidated net loss of the Group substantially narrowed down by 63% over the same period last year to approximately HK\$ 8,653,000.
- With the investment and development projects commenced in the past two years, the Group expects at least three to four films to be screened in the coming 18 months, driving revenue from the Entertainment and Media Operations.

(28 August 2019 – 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**”) announced its interim results for the six months ended 30 June 2019 (the “first half of 2019” or the “Period”).

During the Period, the Group's continuing operations were segmented into Entertainment and Media Operations and Offline Healthcare and Wellness Services, which recorded total revenue HK\$48,076,000. The revenue from the Entertainment and Media Operations recorded approximately HK\$451,000 during the Period due to a lack of new theatrical release by the Group. Furthermore, as for the offline healthcare and wellness services, the revenue recorded a drop by 16% as the Group had disposed of its 51% equity interest in Beijing Si Hai Jun Tian Trading Company Limited to an independent third party in May 2018. The consolidated net loss of the Group substantially narrowed down by 63% over the same period last year to approximately HK\$ 8,653,000, primarily due to the drastic decrease in administrative

expenses and the strong financial performance of HB Entertainment Co., Ltd. (“HB Entertainment”), an associate of the Group.

Regarding the Group’s movie project investments, the long lead time required for production and distribution of movies results in a lack of theatrical release by the Group during the Period. To further advance its business, the Group has already executed a series of investment and development plans. The Group expects at least three to four films, including some heavyweight blockbusters, to be screened worldwide and in the PRC in the coming 18 months. By then it is probable that the revenue and scale of the Media and Entertainment Operations of the Group will expand significantly.

During the Period, the Group actively and deeply laid out the global market. The Group had entered into a cooperation framework agreement with Huayi Brothers, which would enhance synergies in content investment and distribution. Besides, last year the Group had secured 50% of the distribution right in the PRC for four films produced in Europe and the United States. These films will be distributed in the PRC in collaboration with Huayi Brothers. Among them, “Radioactive”, a biopic of Marie Curie, Nobel laureate in Physics, has been chosen as the Closing Night Gala at the 44th Toronto International Film Festival. It will tentatively be released across the globe in the first half of 2020.

According to the gross box office receipts of the PRC in the first half of 2019, the Hollywood blockbusters are still dominating the market. To cater for business growth, the Group will continue to look for opportunities in cooperating with masterclass directors from Hollywood and top-notch studios, to invest in the development or to participate in the production of movies and television dramas, as well as to hoard a vast array of premium overseas intellectual properties (“IP”). The Group has confirmed the investment in developing an original animation during the Period. The animation has a production budget of over US\$30 million. Already at the production stage, it is expected to be released in the second half of 2020 and distributed across the globe and in the PRC.

The Group had made an early deployment in the film market of Korea. During the Period, the Group invested in producing the first Korean film on a space science fiction theme –“Space Sweepers”, starring superstars like Song Joong-ki and Kim Tae-ri. The film is expected to become the talk of the towns in the summer of 2020. During the Period, HB Entertainment, in which the Group holds a stake of 31%, had recorded a

quite remarkable financial performance and hence boosted its contribution to the Group. The Group's share of profit amounted to approximately HK\$5,221,000. Produced by HB Entertainment, "Sky Castle" has recorded the highest-ever national viewership rating of 23.8% in Korea, thereby strengthening HB Entertainment's bargaining power with local television stations. Besides, two television dramas, namely "Partners for Justice 2" and "Big Issue", had achieved commendable results during the Period. In particular, "Partners for Justice 2" reached the highest national viewership at 10.1% according to the viewership statistics of TNmS in Korea. Apart from that, the Huayi-Warner Contents Fund, which was co-established by the Group, Warner Bros. Korea Inc. et al., had a movie screened in the first half of 2019, and two or three more are expected to be distributed in South Korea in the second half of the same year.

As for the Healthcare and Wellness Services, the Group will maintain stable operations of "Beijing Bayhood No. 9 Club". In order to support the all-out efforts in running the Entertainment and Media Operations and to reinforce the strategies, the Group has the possibility of resource integration in the future.

Mr. Wang Zhongjun, Chairman of the Company, said, "Going forward the film industry, China is expected to become the largest film market in the world by 2020. With the continuous upgrading of internet technology, it will affect the development of the film market in many aspects. With the position of the controlling shareholder Tencent Holdings Limited in the entertainment network and the extensive experience of Huayi Brothers in film production and distribution, the Group is expected to produce and distribute more contents with appeal and high quality. We also look forward to embracing the forthcoming new era in which China becomes the largest film market in the world. At the same time, the Group actively deploys the global film market and utilizes the internationalization of Korean films. The Group will step up its efforts in hoarding up quality Korean IP and introduce preeminent Korean films and television dramas into China. Besides, the Group is now collaborating with top film studios and producers in North America and Europe on different projects, in the hope of delighting the audience in the future. In the first half of 2019, the Group has been committed to exploring more valuable movie projects. Looking ahead, the season of harvest is now on the horizon for the Group. The Group is confident that these investments will attain success and hence contribute to the more sustainable and stable profit of the Group."

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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: 00700.HK) are the controlling shareholders of Huayi Tencent Entertainment.

Media Contacts

Financial PR (HK) Limited

Ms. Dawn Lee Email: dawnlee@financialpr.hk
Mr. Tommy Wu Email: tommywu@financialpr.hk
Ms. Vivienne Wang Email: viviennewang@financialpr.hk
Tel: (852)2610 0846
Fax: (852)2610 0842