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)

INSIDER INFORMATION
BUSINESS UPDATE AND PROFIT WARNING

This announcement is made by Huayi Tencent Entertainment Company Limited (the "Company") and its subsidiaries (collectively the "Group") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Future Ordinance (Chapter 571, the Laws of Hong Kong).

BUSINESS UPDATE

(A) Entertainment and Media operation

The board of directors of the Company (the "Board") is pleased to announce that the Group is co-financing and co-producing the following film projects which are planned to release in year 2020 and 2021:

(1) *Space Sweepers*

Currently in post-production stage and targeting 2020 release in Korea, *Space Sweepers* is the first sci-fi space feature film project in Korea with a budget of KRW24 billion (equivalent to approximately HK$160 million). The film is directed by JO Sung-hee ("A Werewolf Boy", "The Phantom Detective") and is starring SONG Joong-ki ("Descendants of the Sun", "The Battleship Island") and KIM Tae-ri ("The Handmaiden", "1987: When the Day Comes").

(2) *Extinct*

Extinct, directed by 4-time Emmy-winning director David Silverman ("Monsters Inc", "The Simpsons Movie") and starred by Zazie Beetz ("Joker", "Deadpool 2"), is a family-oriented animation about an adorable species of fluffy animals called "Flummels". When two Flummels are transported into the present day, they learn that their species has become extinct, and they must travel back in time to try to save their race. Currently in post-production stage, *Extinct* is targeting 2020 global release.

(3) *Cherry*

Cherry is directed by Anthony Russo and Joe Russo ("*Avengers: Endgame*", "*Avengers: Infinity War*") and is starred by Tom Holland ("*Spiderman: Far from Home*", "*Spiderman: Homecoming*"). Adapted from a best-selling novel, *Cherry* tells a story about an army medic suffering from post-traumatic stress disorder becoming a serial bank robber after an addiction to drugs putting him in debt. Currently in post-production stage, *Cherry* is targeting 2020 global release.

(4) *Moonfall*

Moonfall is a Hollywood science fiction epic to be directed by Roland Emmerich, who has participated in over 30 movies including *Independence Day* series, *The Day After Tomorrow*, *2012*, *Midway*, etc., with accumulated global box office of more than USD$4 billion. *Moonfall* narrates that the moon is driven out of orbit by a mysterious force and collides toward the Earth, bringing doomsday to the Earth due to gravitational imbalance. Amid desperation, a seemingly disorganized squad decides to fight the final battle to protect the Earth and human kind. The Group also co-invests in the distribution rights of *Moonfall* in the People's Republic of China (the "PRC"). Currently in pre-production stage, *Moonfall* is targeting 2021 global release.

Although the theatrical release of films in the PRC is currently significantly affected by the outbreak of COVID-19 (the "Outbreak"), the Board expects that there shall be no material impact to the production and the global release of the above film projects, because:

— Apart from *Moonfall*, all other projects are already in post-production stage. In addition, almost all of the film production processes take place in locations outside the PRC;

— the above films are to be released globally but not only in the PRC; and

— the expected time of theatrical release in the PRC of the above films is at least a few months from now. Nevertheless, the Group will coordinate with the global distributors to set appropriate theatrical release slots in the PRC by taking into account the reopening of the theatres.

The Board will closely monitor the development of the Outbreak, evaluate its potential impact on the Group's Entertainment and Media operation, and will provide necessary updates as appropriate.

(B) Offline Healthcare and Wellness Services operation

The Group's business of the healthcare and wellness services focuses on the operations of "Beijing Bayhood No. 9 Club", a top green health club in the PRC featuring a standard 18-hole golf course and lakeside golf course private VIP rooms. Consistent with prior years, the 18-hole golf course is closed in the winter season during December to March, and it is also a traditional low season for the affiliated food & beverage operations. Therefore, the Outbreak has currently no material adverse impact to the Offline Healthcare and Wellness Services operation. However, it is still uncertain whether the planned re-opening of the 18-hole golf course in late March 2020 will be affected by the Outbreak. The Board will closely monitor the development of the Outbreak, evaluate its potential impact on the Group's Offline Healthcare and Wellness Services operation, and will provide necessary updates as appropriate.

PROFIT WARNING

The Board wishes to inform shareholders of the Company and potential investors that, based on the Group's preliminary unaudited assessment for the year ended 31 December 2019 ("Year 2019"), the Group is expected to record a consolidated net loss for Year 2019 of not more than HK$35 million, while there was a consolidated net profit for the year ended 31 December 2018 ("Year 2018") of approximately HK$74 million.

Excluding the profit from discontinued operations (which includes the gain on disposal of Beijing Hao You Media Culture Co., Ltd) of approximately HK$141 million, the Group's consolidated net loss from continuing operations for Year 2018 was approximately HK$66 million. Accordingly, the Group's consolidated net loss from continuing operations for Year 2019 is expected to reduce by more than 47% comparing to that of Year 2018. This is mainly attributed to:

— "share of the results of an associate" turnaround from loss to profit following the strong financial performance of HB Entertainment, the Group's 31%-owned associated company principally engaging in TV drama production and artists management in Korea, during Year 2019; and

— the significant reduction in the amount of provision for impairment during Year 2019.

As the Company is still in the process of finalizing the annual results for Year 2019, the information contained in this announcement is based on information that is currently available and the preliminary unaudited consolidated management accounts of the Group for Year 2019 which have not yet been reviewed by the Company's audit committee and have not been audited by the Company's independent auditor. The annual results for Year 2019 are expected to be published in March 2020.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

For and on behalf of the Board
Huayi Tencent Entertainment Company Limited
Raymond Hau
Company Secretary

Hong Kong, 18 February 2020

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

Executive directors: Mr. WANG Zhongjun (Chairman), Mr. CHENG Wu (Vice Chairman), Mr. WANG Zhonglei, Mr. HU Junyi, Mr. YUEN Hoi Po
Independent non-executive directors: Dr. WONG Yau Kar David, GBS, JP, Mr. YUEN Kin, Mr. CHU Yuguo