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)

INSIDE 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

Following the completion of the capital increase and acquisition of Pingtan Xinban Clinic Company Limited ("PTXB") in April 2021 and the contractual arrangement over the joint venture Hangzhou Meerkat Health Technology Co., Limited ("Meerkat Health") in October 2021, the Group had formally set foot in the digital healthcare sector and started a new chapter in the business of the Group.

Based on the Group's preliminary unaudited assessment for the year ended 31 December 2021, the Group is expected to record a growth in revenue by approximately 2 times to approximately HK$328 million, comparing to the revenue for the prior year of approximately HK$111 million. The significant growth in revenue was mainly due to the following factors:

1) Revenue from newly acquired/developed internet healthcare related businesses, namely "Online Prescription, Circulation and Marketing of Pharmaceutical Products" and "Internet Healthcare Management Platform", amounted to approximately HK$59 million (2020: Nil) for the year ended 31 December 2021. These businesses are under fast growth and management expects that the portion of revenue arising from these internet healthcare related businesses will further increase significantly in 2022.

2) Revenue from the "Entertainment and Media" segment surged by approximately 10 times to approximately HK$155 million (2020: HK$14 million), mainly attributed to the successful release of several movies during the year. These include "Space Sweepers" released globally through Netflix, "Cherry" released globally through Apple TV+, and "Extinct" released through a mixed model of theatrical release and Netflix during the year.

The Group's businesses are currently organized into the following main operating segments:

1. Online prescription, circulation and marketing of pharmaceutical products ("Echartnow" Platform)

The team size of "Echartnow" platform had expanded rapidly from a dozen at April 2021, when the capital increase and acquisition of PTXB was completed, to almost 200 by the end of 2021. 9 operation centers have been established across the country and its business now covers 23 provinces. "Echartnow" platform dedicates itself to the establishment of an integrated healthcare platform which covers different users of the industry and offers them different "digitized enterprise operation solutions":

- Pharmaceutical companies — digitized marketing solutions
- Physical pharmacies — professional digitized pharmacy solutions, facilitating the pharmacies to get connected with doctors and patients
- Doctors — closed-loop online consultation scene, including management of patients and electronic prescription, etc.
- Patients — they can now approach a doctor easily for online follow-up appointment and consultation and order of prescribed drugs, etc. via the WeChat mini-app "Echartnow Assistant to Medical Advice"

By the end of 2021, the revenue generated by "Echartnow" platform was approximately HK$36 million.

2. Internet healthcare management platform ("Meerkat Health" Platform)

The enterprise mission of "Meerkat Health" is "to be the expert in safeguarding the health of your family". It continues to make its mark in the pan-health industry with a forward-looking business strategy and is devoted to effectively combine the industrial internet and consumer internet in the healthcare management industry. Since its commencement in the second half of 2021, "Meerkat Health" has expanded rapidly. As at the end of 2021, its team consists of more than 70 staff and has successfully developed:

- nationwide platform for supply chain of pharmaceutical and healthcare products, covering omnichannel drugs, medical equipment, dietary supplements, nourishing products and other health-related products;

- platform for internet healthcare services, namely "Meng Xiao Mei", offering services such as online consultation, science knowledge and appointments for vaccination, as well as appointment for body check, health check at home, etc.

- "Galaxy" system for digitized medical products, including digitized management system for specialist clinics, full-life-cycle health management system, system for internet hospitals, etc.

"Meerkat Health" has reached agreement for strategic collaboration with a famous Grade A tertiary hospital with an aim to explore the new model of "internet + healthcare services". "Galaxy" system for digitized medical product is already in use in the body check center of that Grade A tertiary hospital, helping it accomplishing upgrade of its digitization.

By the end of 2021, the revenue generated by "Meerkat Health" was approximately HK$22 million. Following the successful development of the relevant products and services, the Groups expects that the operating revenue of "Meerkat Health" in 2022 will record a drastic growth.

3. Entertainment and Media

Thanks to the successful release of "Space Sweepers" and "Cherry", both co-financed and produced by the Group, on the streaming platforms Netflix and Apple TV+ respectively in the first half of the year, as well as the dual premier of "Extinct", an original animated comedy, in both theatres and Netflix in the second half of the year, the productions of the Group had been presented to the worldwide audience in both the physical settings and the online digitized form. Accordingly, the revenue arising from Entertainment and Media operations in 2021 amounted to approximately HK$155 million (2020: HK$14 million), being a significant rise of more than 10 times over the same period last year.

The pandemic is still casting a cloud over the film industry and there remain plenty of obstacles ahead before the worldwide theatres can resume full normalcy. The Group will adopt a more conservative and prudent approach while assessing its input in the new projects, control the quality of the films stringently, divert resources to the further growth of existing projects (such as the management and authorization of derivative products) and formulate the strategic goals for the Entertainment and Media operation with flexibility.

4. Healthcare and Wellness Services

During the year, the revenue of the Healthcare and Wellness Services continued to improve and amounted to approximately HK$114 million (2020: HK$97 million), representing an increase of approximately 17%. This roughly equals to the level of the pre-pandemic times, as the pandemic situation in the PRC has stabilized, allowing the operations of "Bayhood No. 9 Club" to be in full swing again in the year. The Group will continue to operate "Bayhood No. 9 Club" on a lease basis until 2023. The business of "Bayhood No. 9 Club" is self-sustaining at the moment and the Group does not have any immediate plan to invest additional resources into its operations for expansion.

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 2021, the Group is expected to record a loss for the year ended 31 December 2021 of approximately HK$140 million (2020: HK$57 million), being a 1.5-times increase comparing to the prior year. The increase in loss for the year was mainly attributable to the segment losses arising from the newly acquired/developed internet healthcare related businesses, namely "Online Prescription, Circulation and Marketing of Pharmaceutical Products" and "Internet Healthcare Management Platform", amounted to over HK$70 million (2020: Nil), which include shared-based compensation expenses of approximately HK$30 million (2020: Nil).

As the Company is still in the process of finalizing the annual results for the year ended 31 December 2021, 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 the year ended 31 December 2021 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 the year ended 31 December 2021 are expected to be published on 31 March 2022.

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, 21 March 2022

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

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