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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

Since the Group launched its strategic plan of expanding into the areas of internet pharmaceutical and healthcare services in the PRC in 2021, it has been actively engaged in the upfront investment, such as acquiring “Echartnow”, a platform for online prescription, circulation and marketing of pharmaceutical products, and forming a joint venture “Meerkat Health” together with the industry elites, focusing on smart healthcare services. In 2022, “Echartnow” and “Meerkat Health” have quickly become the Group’s core businesses and the overall layout is now largely complete, with its internet healthcare services business becoming well-established and successfully positioned to take the lead in the industry.

Based on the Group’s preliminary unaudited assessment for the year ended 31 December 2022, the Group is expected to record revenue for the year exceeding HK\$1.6 billion, being a significant growth of approximately 4 times comparing to the revenue for the prior year of approximately HK\$328 million; the Group also expects to record gross profit for the year of approximately HK\$400 million, being a significant growth of more than 8 times comparing to the gross profit for the prior year of approximately HK\$41.90 million. “Echartnow” and “Meerkat Health” were the major sources of revenue of the Group, with revenues of HK\$600 million (2021: HK\$36.15 million) and HK\$800 million (2021: HK\$22.49 million) respectively, together accounting for over 80% (2021: 18%) of the total revenue.

1. Online prescription, circulation and marketing of pharmaceutical products (“Echartnow”)

“Echartnow” platform dedicates itself to the establishment of an integrated healthcare platform which covers different user terminals in the industry and offers them different “digitised enterprise operation solutions”:

- Pharmaceutical companies — digitised marketing solutions for the whole cycle of business development
- Retail pharmacies — professional digitised 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 appointments and consultations and order prescribed drugs, etc. via the WeChat mini-app “Echartnow Assistant to Medical Advice”

As at 31 December 2022, “Echartnow” platform and its related marketing network have already covered approximately 37,000 doctors, all of which have registered with their real names, uploaded qualifications and passed the authentication. The number of patients reached 470,000, including in-hospital patients who visited offline physical hospitals and out-of-hospital patients who were online customers or pharmacy referrals. The number of pharmaceutical companies that have signed contracts with the “Echartnow” platform has sharply increased to 160, with a number of large pharmaceutical companies in the PRC including Qilu Pharmaceutical, Jiangsu Hengrui Pharmaceuticals, CSPC Pharmaceutical Group etc. The number of pharmacies that have signed contracts and gone online reached approximately 3,400 and the number of drugs listed increased to approximately 190,000.

2. Smart healthcare management platform (“Meerkat Health”)

Launched in the second half of 2021, the vision of “Meerkat Health” is to build a leading C2M innovative healthcare services platform in the PRC. For the consumers, the platform is focused on user needs to establish a one-stop online and offline healthcare services platform which saves them from “worrying about serious illnesses and going to the hospital for minor discomfort” and allows them “to be taken care of by the health experts”. For the industry, the platform utilises digital technologies as its drive to provide innovative upgrade solutions for medical institutions and companies of pharmaceutical, medical equipment and health products, effectively enhancing the efficiency of the entire supply chain, and driving upstream and downstream enterprises in the industry chain to transform towards informatisation, digitisation and intellectualisation. Currently the business of “Meerkat Health” comprised of the following three parts:

- (1) Healthcare consumption — “Meerkat Health” has built an industry-leading smart supply chain system, covering omnichannel drugs, medical equipment, dietary supplements, nourishing products and other health-related products, and providing offline self-run and franchised pharmacies with a digital intellectualised and one-stop omnichannel solution. “Meerkat

Health” has entered into partnerships with nearly 1,400 brands, including listed companies like Sinopharm Group, Guilin Sanjin and Mayinglong Pharmaceutical, covering nearly 10,000 product categories including OTC, prescribed drugs, medical equipment, dietary supplement etc., and serving 77,000 customers cumulatively.

- (2) Medical services — currently the core business is the online appointment services for vaccination. With family and preventive medicine as the core, “Meerkat Health” provides diversified health screening, preventive vaccination and antibodies testing products, it constructs an online and offline integrated online vaccination appointment service, and provides early screening and preventive health services for its wide range of users. In the second half of 2022, the Gross Merchandise Value (GMV) of “Meerkat Health” online appointment services for vaccination grew by more than two times compared to the first half. As at 31 December 2022, the relevant business has covered 78 cities in the PRC, including all of the first-tier cities of Beijing, Shanghai, Guangzhou and Shenzhen and some second-tier cities.
- (3) Healthcare management — the healthcare management business of “Meerkat Health” was transformed in the third quarter of 2022. The business pathway is to contract offline medical institutions to transform and upgrade their body check centres into digital intellectualised health management centres and provide aftercare health management services to users. The “Meerkat Health” digital intellectualised body check services cover 33 hospitals in 19 cities, including grade A tertiary hospitals like Tianjin First Central Hospital, Zhejiang Hospital, Zhejiang Cancer Hospital, Zhejiang Women’s Health Care Hospital etc., with steady progress in business implementation.

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 2022, the Group is expected to record a loss for the year ended 31 December 2022 of approximately HK\$320 million (2021: HK\$141 million). The increase in loss for the year was mainly attributable to:

- The Media and Entertainment segment is expected to record a loss for the year of approximately HK\$120 million, being a significant increase comparing to the loss of HK\$34.32 million for the prior year. This is mainly due to the cost amortization and impairment provision arising from that the box office receipts and other incomes of the Group’s movie project distributed in 2022 could not recover the corresponding cost of investment. The Group is focusing on the internet healthcare services business, and has confirmed that it will not invest in new films and television drama projects. The Group is also actively seeking to sell or realise the Group’s remaining film and television drama projects and investments, including its investment in HB Entertainment in South Korea.

- The Smart Healthcare Services Platform segment is expected to record a loss for the year of approximately HK\$86 million (2021: HK\$13.88 million). As the “Meerkat Health” operation only commenced in the fourth quarter of 2021, resources need to be invested in research and development, system build-up, infrastructure, obtaining of qualifications and credentials, etc. during the start-up phase in 2022, leading to a much significant loss amount. Following the gradual completion of the said infrastructure and credentials, and that “Meerkat Health” has built up business scale with revenue of HK\$800 million, the loss is expected to be narrowed down in the future.

As the Company is still in the process of finalizing the annual results for the year ended 31 December 2022, 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 2022 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 2022 are expected to be published on 29 March 2023.

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, 9 March 2023

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

Executive directors: Mr. CHENG Wu (Vice Chairman), Mr. YUEN Hoi Po

Independent non-executive directors: Dr. WONG Yau Kar David, GBS, JP, Mr. YUEN Kin, Mr. CHU Yuguo