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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

The Group resolutely implemented its layout in the areas of internet pharmaceutical and healthcare services in the PRC last year, 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. These two platforms have quickly become the core business of the Group with 85% revenue attribution, and are entering a rapid growth period, contributing a significant amount of revenue to the Group in the first half of this year.

Based on the Group’s preliminary unaudited assessment for the six months ended 30 June 2022, the Group is expected to record a growth in revenue by approximately 2.7 times to approximately HK\$673 million, comparing to the revenue for same period in the prior year of approximately HK\$183 million. The significant growth in revenue was mainly due to the following factors:

(1) “Echartnow”, a platform for online prescription, circulation and marketing of pharmaceutical products

Since the acquisition of “Echartnow”, within only a year, the segment has expanded rapidly. As at 30 June 2022, the platform has established 9 operation centres across the country, covering 27 provinces, and its workforce expanded from less than 20 to almost 200.

“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 — 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”

During the period, the number of doctors registered on “Echartnow” platform and its related marketing network has increased to 30,425, of which 21,029 have registered with their real names, uploaded qualifications and passed the authentication. The number of patients reached 421,725, including 100,824 in-hospital patients who visited offline physical hospitals and 320,901 out-of-hospital patients who were online customers or pharmacy referrals. The number of pharmaceutical companies that have signed contracts with “Echartnow” platform has increased to 67, including Qilu Pharmaceutical and Jiangsu Hengrui Pharmaceuticals, ranked 9th and 4th by the Ministry of Industry and Information Technology respectively. In addition, “Echartnow” has negotiated and reached preliminary agreements with 93 pharmaceutical companies, all of which are top 100 on Menet. The number of pharmacies that have signed contracts and gone online reached 2,737, and the number of drugs listed increased to 162,628.

For the six months ended 30 June 2022, “Echartnow” had completed revenues equivalent to HK\$229 million (2021: Nil), accounted for 34% (2021: Nil) of the Group’s revenue for the period.

(2) “Meerkat Health”, a Smart Healthcare Services Platform

Launched in the second half of 2021, “Meerkat Health” is devoted to effectively combining the industrial internet and consumer internet in the healthcare management industry, with the mission of “being the expert in safeguarding the health of your family”. As of 30 June 2022, after ten months of development, we have rapidly established a complete healthcare services system comprising healthcare consumption, medical services and healthcare management. In terms of healthcare consumption, a distribution platform for the supply chain of pharmaceutical and healthcare products has been developed using digital intellectualised and innovative tools to provide offline self-run and franchised pharmacies a digital intellectualised and one-stop omnichannel solution. Medical services cover two major branches of medical consumption and digital intellectualised body check services, along with the cooperation with offline medical institutions to explore a new model of “digital intellectualised healthcare services”. Healthcare

management, as an innovative business segment for the company's future long-term development, empowers healthcare management organisations and enhances the efficiency of the industry by providing them with a smart system, knowledge base, training system and health product library.

With the strategic positioning of being “a full-life-cycle and full-scene healthcare management services platform with the supply chain as its core, the medical services as its means and the digital technologies as its drive”, and its value proposition of bringing about good drugs, good services, good health, good family and good technology, “Meerkat Health” is dedicating itself to offering all-round healthcare services which cover the entire course and cycle to everyone and building a leading C2M innovative healthcare services platform in the PRC.

The healthcare consumption business of “Meerkat Health” has established partnerships with more than 100 pharmaceutical and healthcare product manufacturers and distributors. In the second quarter, the Gross Merchandise Value (“GMV”) of the online appointment services for vaccination increased by 154% compared with the first quarter, while the digital intellectualised body check services covered 19 cities and 21 hospitals, more than 35% of which were Grade A tertiary hospitals.

For the six months ended 30 June 2022, “Meerkat Health” has achieved revenue of equivalent to HK\$346 million (2021: Nil), accounted for 51% (2021: Nil) of the Group's revenue for the period.

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 six months ended 30 June 2022, the Group is expected to record a loss for the six months ended 30 June 2022 of approximately HK\$140 million (2021: HK\$9 million). The increase in loss for the period was mainly attributable to:

- (1) The segment losses arising from the newly acquired/developed internet healthcare related businesses (“Echartnow” and “Meerkat Health”) amounted to over HK\$65 million (2021: Nil), which include shared-based compensation expenses of approximately HK\$15 million (2020: Nil); and
- (2) The Entertainment and Media segment results turned from a profit to a loss position during the period. Segment losses for the period amounted to approximately HK\$48 million (2021: segment profit of approximately HK\$9.12 million), mainly due to the lower-than-expected box office performance of the movie released during the period.

As the Company is still in the process of finalizing the interim results for the six months ended 30 June 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 six months ended 30 June 2022 which have not yet been reviewed by the Company's audit committee and independent auditor. The interim results for the six months ended 30 June 2022 are expected to be published on 30 August 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, 17 August 2022

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