



HUAYI TENCENT ENTERTAINMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 419.HK)

Huayi Tencent Entertainment Announces 2023 Interim Results A Significant Increase in Gross Profit and Gross Profit Margin

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Echartnow and Meerkat Health Launched SaaS Products and Private E-commerce Platforms Respectively

Results Highlights:

- For the first half of 2023, the Group recorded total revenue of HK\$688 million, representing a slight increase of 2% YoY. The Group optimized its revenue structure during the period by focusing on higher margin products, leading to boost of gross profit by 71% YoY to HK\$240 million. As a result, the overall loss narrowed sharply by 59% to about HK\$57.38 million from about HK\$141 million in the same period last year.
- In June this year, Echartnow launched a self-developed digitalized management system SaaS product, "Cistanche Platform", to allow the pharma agent and service provider improve the quality and efficiency of project execution and realize the change towards project standardization, empowering the entire healthcare industry with the capability of digitization.
- Meerkat Health carried out reforms to optimize its product structure to reduce costs and increase efficiency, focusing on lowering the proportion of low gross profit business, and proactively deploying and expanding its private e-commerce business. The private e-commerce platform "HT Selected" was launched in June 2023.

(28 August 2023, Hong Kong) [Huayi Tencent Entertainment Company Limited](#) ("Huayi Tencent Entertainment", the "Company"; Stock code: 419.HK; together with its subsidiaries collectively known as the "Group") is pleased to announce its interim results for the year ended 30 June 2023 ("1H FY2023" or the "Period").

Internet healthcare services business are turning to mature, thus leading to optimization of revenue structure

For the first half of 2023, the Group recorded total revenue of HK\$688 million, representing a slight increase of 2% YoY, mainly contributed from its two major businesses, "Echartnow", provision of digitized operation service in the healthcare industry, and "Meerkat Health", a smart healthcare services platform.



Of which, “Echartnow”, provision of digitized operation service in the healthcare industry, recorded revenue of HK\$482 million (1H FY2022: HK\$229 million), representing an increase of 1.1 times YoY. “Echartnow” also recorded a gross profit of HK\$198 million (1H FY2022: HK\$125 million), representing an increase of 59% YoY.

“Meerkat Health”, the smart healthcare services platform, recorded revenue of HK\$148 million, representing a decrease of 57% YoY, which was mainly attributable to the reduction of the proportion of loss-making and lower margin business scale in the business and the focusing of resources on the development of new businesses with high margins and potential. Gross profit margin, therefore, increased significantly from 1.5% in the first half of 2022 to 9.8%, and gross profit also increased by 1.8 times to HK\$14.43 million (1H FY2022: HK\$5.22 million).

Overall, the Group optimized its revenue structure during the period by focusing on higher margin products to enhance gross profit performance. Gross profit increased by 71% YoY to HK\$240 million, coupled with the contraction of the loss-making entertainment and media business, driving the Group’s overall loss down to approximately HK\$57.38 million, representing a significant narrowing of 59% YoY from approximately HK\$141 million.

“Echartnow”, provision of digitized operation service platform in the healthcare industry

As a frontrunner in digitized operations for the healthcare industry, Echartnow’s development focuses on serving pharmaceutical companies, with the strategy of “pharmaceutical companies driving the whole industry chain”. Echartnow has established a complete ecological chain for healthcare platforms, the number of pharmaceutical companies that have signed up with the Echartnow platform has increased to 195 as of 30 June 2023, representing an increase of 22% from the end of 2022. Also, Echartnow platform has now covered 31,935 doctors, representing a significant increase of 24% as compared to the end of 2022 with more than 3,400 online pharmacies and 470,000 registered patients. During the period, the main sources of revenue were information service fees, technical service fees, and promotion service fees received for providing scenario-based digitized operation solutions to pharmaceutical companies.

The operation and development of Echartnow’s platform has been recognized by the market, introducing state-owned background investors and technology giants for injection of capital and technology respectively during the period. In April 2023, the Company, Echartnow, Zhangjiagang Yitang Equity Investment Partnership (Limited Partnership) and others entered into the Capital Increase Agreements, pursuant to which Zhangjiagang Yitang agreed to make a cash contribution in total of RMB40,000,000 to Echartnow. Separately, in May 2023, Echartnow entered into a strategic cooperation agreement with Tencent Cloud Computing (Beijing) Company Limited, a subsidiary of Tencent Holdings Limited, in order to carry out business cooperation in various areas, and to join hands to promote the research and development of AI technology in healthcare industry.

In view of the opportunity for pharmaceutical companies to transform into online businesses, Echartnow has formally entered the second stage of its development and



begun to establish Echartnow's moat and product barriers. In June 2023, Echartnow initiated to launch its self-developed "Cistanche Platform" on a limited basis, providing professional SaaS products to pharmaceutical companies and their service providers, helping pharmaceutical companies to open up the online paths of their agents and realize the management of data segregation and role privilege. The pharmaceutical companies can monitor the execution and settlement of their projects at any time, while the pharma agent standardizing and systematizing the project execution path, thus improving the quality and efficiency of project execution and realizing project standardization. "Cistanche Platform" has created a complete industry standard for digitized operation in the healthcare industry, including content standards, pricing standards, data standards, process standards, and other complete and standardized systems. It promotes the entire healthcare industry to step towards digitization.

"Meerkat Health", a smart healthcare services platform

In 1H FY2023, Meerkat Health carried out reforms to optimize its product structure in order to reduce costs and increase efficiency, focusing on lowering the proportion of low gross profit business, cutting expenses and enhancing corporate efficiency. After optimizing its product structure, Meerkat Health will maintain three business lines: healthcare consumption, private e-commerce and medical services.

The healthcare consumption business is the underlying core business of Meerkat Health. For the pharmaceutical wholesale and retail business, it has now achieved omnichannel coverage of drugs, medical equipment, dietary supplements, nourishing products and other health-related products, providing offline self-run and franchised pharmacies with a digital intellectualized and one-stop omnichannel solution after more than two years of development. Meerkat Health has also entered into partnerships with nearly 1,500 brands, covering nearly 10,000 product categories, and serving 91,000 customers cumulatively. In 1H FY2023, the healthcare consumption business generated revenue of HK\$136 million, representing a decrease of 60% from HK\$341 million for the same period last year, which was mainly attributable to the reduction of the proportion of loss-making and lower gross profit businesses.

Private e-commerce is a new addition to the business structure. The private e-commerce platform "HT Selected" was launched in June 2023, positioned as a private pan-health e-commerce platform. It has constructed a supply chain of pan-health quality products to provide consumers with quality and affordable supply of products, and also to assist entrepreneurs in realizing better sales performance. HT Selected has also established a "Renren Ecommerce" system, which not only uses AI tools to assist marketing, but also has a "super shopkeeper" to provide detailed guidance, constructing a comprehensive and professional private business ecosystem. Currently, "HT Selected" is in the trial operation stage. According to the data from the first month of trial operation, the project's gross profit margin and conversion rate are significantly higher than that of the pharmaceutical wholesale and retail business. The project is expected to bring higher revenue and gross profit to the Group in the second half of 2023.

There are online appointments for vaccination and health management under the medical services business. During the period, the vaccination business achieved a GMV of RMB72.72 million, representing a significant increase of 83% YoY. In terms



of the healthcare management business, 16 new hospitals have been contracted for the body check business, and 49 hospitals have been covered in total during the period, including famous grade A tertiary hospitals like Zhejiang Hospital and Zhejiang Cancer Hospital. The above business expansion drove the revenue of the medical services business up to HK\$11.57 million in 1H FY2023, representing a significant increase of 1.1 times YoY.

In the future, “Meerkat Health” will rely on its own and its partners’ talent pools, medical resources and brand advantages to further enhance its industry competitiveness and expand its market scale, continuing forward-looking deployment in the three major businesses of healthcare consumption, private e-commerce and medical services.

Entertainment and Media business and Healthcare and Wellness Services business

In terms of entertainment and media, the Group is focusing on the internet pharmaceutical and healthcare services business, and did not invest in any new film and television projects in the first half of 2023. The Group will concentrate on revitalizing its remaining film and television projects and investments.

In terms of healthcare and wellness services, “Bayhood No. 9 Club”, a healthcare and wellness service of the Group, is one of the top green health clubs in the PRC. Following the annual winter closure, “Bayhood No. 9 Club” reopened in March this year. Being no longer affected by the epidemic, its operation has returned to normal, and its revenue therefore increased by 9% YoY to HK\$57.42 million.

The Group operates “Bayhood No. 9 Club” on a lease basis. In April 2023, the Group gave the lessor an advance notice to terminate the lease agreement relating to “Bayhood No. 9 Club” early upon the expiry of the second lease term (i.e. 5 October 2023). As a result, upon the early termination of the relevant lease agreement on 5 October 2023, the Group will cease to be engaged in the operation of “Bayhood No. 9 Club” and focus on expanding the business of Echartnow and Meerkat Health.

Mr. Yuen Hoi Po, Executive Director and Chief Executive Officer of Huayi Tencent Entertainment, said, “Building Healthy China is a national development strategy. Digitalized healthcare is a sunrise industry with both economic and social benefits. During the period, we built a moat for our two core businesses, “Echartnow” and “Meerkat Health”, which echoed the country’s vigorous demand. Looking forward, Huayi Tencent will focus on expanding the development scale of these two core businesses, and actively bring new growth drivers to the business while optimizing the revenue structure to reduce costs and increase efficiency. Relying on the Group’s success in capturing opportunities in the digitized healthcare market in the past, we are confident in grasping the business opportunities brought about by the continuous improvement of health awareness. We are committed to creating greater value for shareholders.”

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About Huayi Tencent Entertainment Company Limited

Huayi Tencent Entertainment Company Limited (Stock Code: 00419.HK) conducts businesses in two segments namely Internet Healthcare Services, and Healthcare and Wellness Services. The Group's internet healthcare service business focus on 1) "Echartnow", provision of digitized operation service in the healthcare industry, and 2) "Meerkat Health", the smart healthcare services platform, providing a series of online healthcare services and striving to build an internet healthcare platform ecosystem. With respect to the healthcare and wellness service business, the Group operates "Bayhood No. 9 Club", one of the top green health clubs in the PRC with well-equipped facilities such as a standard golf course, spa facilities as well as food-and-beverages-related business to offer professional and excellent healthcare and wellness services.

For more information about Huayi Tencent Entertainment, please visit the official website of the Group: <http://www.huayitencent.com>.

This press release is issued by Joint PR Consultants Limited on behalf of Huayi Tencent Entertainment Company Limited. For media enquiries, please contact:

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