

# **Huayi Tencent Entertainment Company Limited**

**( Stock Code: 00419.HK)**

**Annual Results Presentation  
For the year ended 31 December 2023**

**26 March 2024**

This presentation is prepared in good faith, based on financial data, publicly available information, and management's outlook as of today. Macroeconomic parameters could change unexpectedly. The operating environment of Huayi Tencent Entertainment Company Limited ("**Huayi Tencent Entertainment**" or the "**Company**", Stock Code: 00419.HK) and thus strategies could change as a result and without notice.

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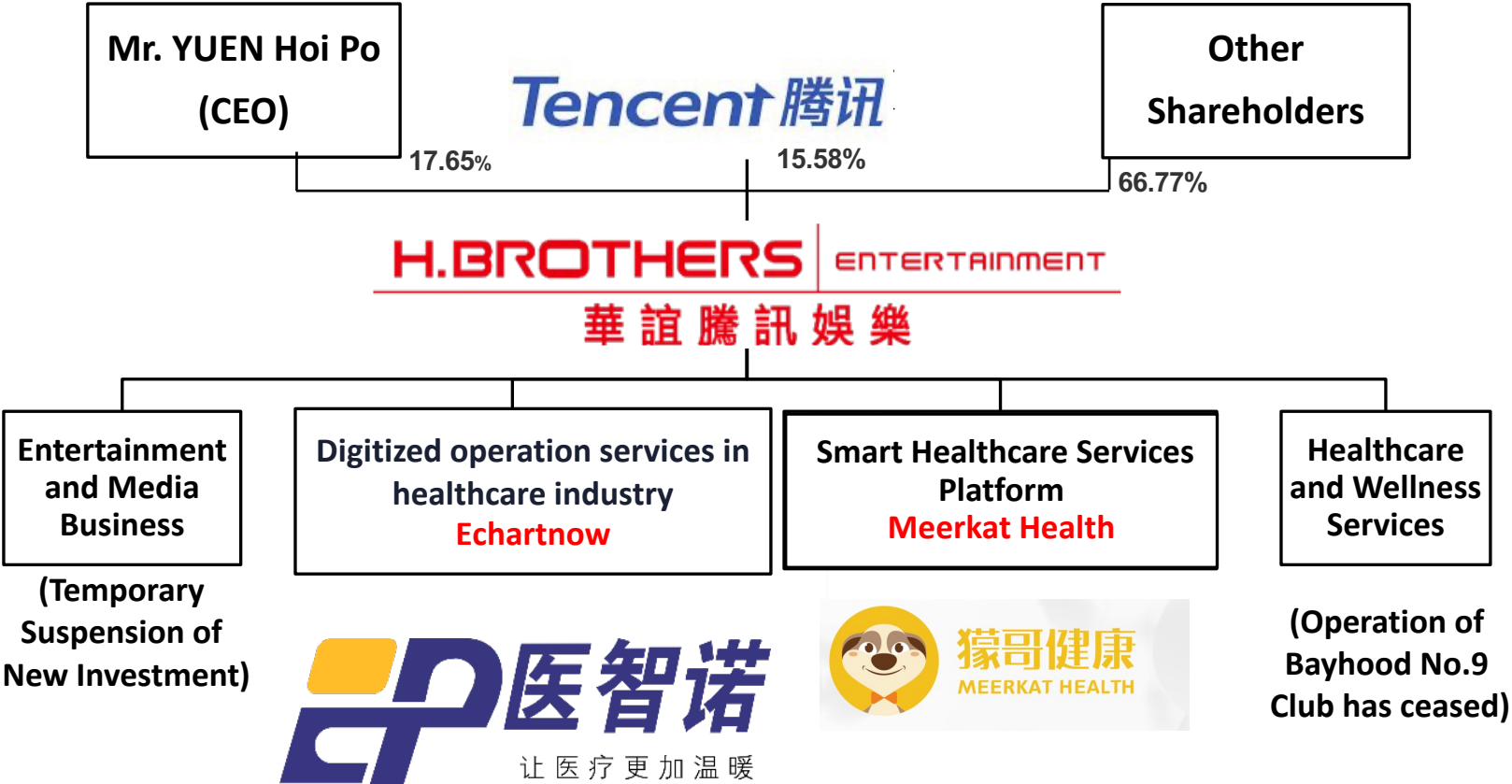
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# Business Overview

# Business Overview



# Results Highlights

# 2023 Annual Results Highlights

- ❖ The Group's two core businesses: "Echartnow", the digitized operation service in the healthcare industry, recorded a significant 56% increase in revenue in FY2023. "Meerkat Health", a Smart Healthcare Services Platform, has adjusted its business and internal organizational structure to reduce expenses. The Group has also taken steps to divest from non-core businesses "Bayhood No. 9 Club" to optimize resource allocation
- ❖ In FY2023, one of the primary sources of revenue for the Group was "Echartnow", which recorded a significant 56% increase in revenue to approximately HK\$943,936,000 (2022: HK\$606,218,000), accounting for 70% of the Group's total annual revenue (2022: 38%). The number of pharmaceutical companies that have signed contracts with Echartnow and the number of registered doctors on Echartnow platform increased to 245 and 40,070 respectively, being a 53% and 55% growth from 31 December 2022.
- ❖ In FY2023, "Meerkat Health" 's revenue amounted to HK\$399,413,000 (2022: HK\$824,209,000), reflecting a 52% decline from the previous year. This decrease can be attributed primarily to the adjustments made in the healthcare consumption business and a decrease in the proportion of lower-margin operations. Meerkat Health has strategically focused its resources on expanding high margin and high-potential ventures, resulting in a significant increase in gross profit margin from 2.0% in 2022 to 7.1%. Gross profit has also seen a substantial rise of 75% to HK\$28,529,000 (2022: HK\$16,282,000).

# 2023 Annual Results Highlights (Continued)

- ❖ In summary, the Group's businesses, Echartnow and Meerkat Health, both decreased their loss amounts by approximately half during the year. Furthermore, the "Entertainment and Media" segment turned its losses into profits. As a result, the Group's losses for the year significantly narrowed to HK\$ 125,354,000 (2022: HK\$316,598,000), representing a reduction in losses of over 60% year-on-year.
- ❖ In addition to the ongoing expansion of its core business, the Group is also actively diversifying its financing channels to establish a solid foundation for future development. In March 2024, the Group entered into a HK\$120 million convertible bond agreement with "Hony Capital", a prominent investment management group in the PRC. The funds raised from this agreement will be utilized as operational capital to support the growth of the Group's core business. With assets under management exceeding RMB 120 billion, "Hony Capital" covers various sectors, including digital technology, cultural technology, and consumer services.



# “Echartnow” achieved significant milestones in business development

- ❖ Echartnow is dedicated to applying cutting-edge artificial intelligence technology in the healthcare industry, providing enterprises with full development cycle digitized operation solutions. Seizing the online transformation trend in the pharmaceutical industry, Echartnow has successfully established a presence across the industry value chain, including pharmaceutical companies, retail pharmacies, healthcare professionals and patients, by integrating online and offline platforms. This has led to the creation of an industry-wide healthcare service ecosystem. With a strategic positioning as a leader in digitized operations for the healthcare industry, Echartnow will focus on developing the digitized operation business. During the year, Echartnow has achieved multiple business milestones, further enhancing its competitive advantage and solidifying its position as an industry frontrunner.

## Acts of market recognition of the development achievements of the Group and Echartnow

- ❖ In April 2023, the Company, Echartnow, Zhangjiagang Yitang Equity Investment Partnership (Limited Partnership) (“Zhangjiagang Yitang”) 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 acquire a 6.25% equity stake in Echartnow. This investment, supported by a state-owned enterprise, will propel Echartnow’s further expansion in the digitized healthcare operation market in the PRC. It will leverage the synergies of state-owned shareholders, national policies, business resources, and network capabilities to solidify Echartnow’s position as a market leader. All capital increase and related restructuring matters within the Echartnow Group have been completed.

# “Echartnow” achieved significant milestones in business development (Continued)

## Acts of market recognition of the development achievements of the Group and Echartnow

- ❖ In May 2023, Echartnow entered into a two-year strategic cooperation agreement with Tencent Cloud Computing (Beijing) Company Limited, a subsidiary of Tencent Holdings Limited (Stock Code: 700.HK), both parties will engage in business cooperation across multiple domains, including the procurement and joint development of products such as digital human, medical science popularization, pharmaceutical knowledge databases, AI, and audiovisual content. They will also collaborate on the integration and utilization of their respective resources, as well as joint branding activities.
- ❖ Together, they aim to expand the AI product market and have developed a comprehensive solution, ECN Yuanzhi Digital Human AI Solution (“ECN Yuanzhi Digital Human”), based on the characteristics of the industry and differentiated needs of enterprises. It’s designed to improve and optimize the productivity of doctors, and bring new opportunities for the production and application of high-quality medical education and science content by and for hospitals/doctors; able to build an AI digital avatar and generate an AI digital avatar video rapidly; thus significantly enhancing the efficiency of popular science content production. And customers in the healthcare industry can create virtual images for doctors and quickly generate videos using technology and texts, thus help saving time for doctors.

# Financial Highlights

Year ended 31 December

2023                      2022

HK\$'000                HK\$'000

## Continuing Operations

### Revenue:

– Digitized operation services in healthcare industry	943,936	606,218	+56%
– Smart healthcare services platform	399,413	824,209	–52%
– Entertainment and media	682	150,964	–99.5%

	<u>1,344,031</u>	<u>1,581,391</u>	–15%
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### Gross profit:

– Digitized operation services in healthcare industry	384,218	335,657	+14%
– Smart healthcare services platform	28,529	16,282	+75%
– Entertainment and media	682	1,107	–38%

	<u>413,429</u>	<u>353,046</u>	+17%
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### Segment result:

– Digitized operation services in healthcare industry	(29,546)	(57,809)	–49%
– Smart healthcare services platform	(45,355)	(86,337)	–47%
– Entertainment and media	3,550	(122,882)	N/A

	<u>(71,351)</u>	<u>(267,028)</u>	–73%
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### Loss for the year from continuing operations

	<u>(119,567)</u>	<u>(317,701)</u>	–62%
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### Loss for the year from continuing operations attributable to equity owners of the Company

	<u>(91,300)</u>	<u>(271,083)</u>	–66%
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### Non-HKFRS Adjustments:

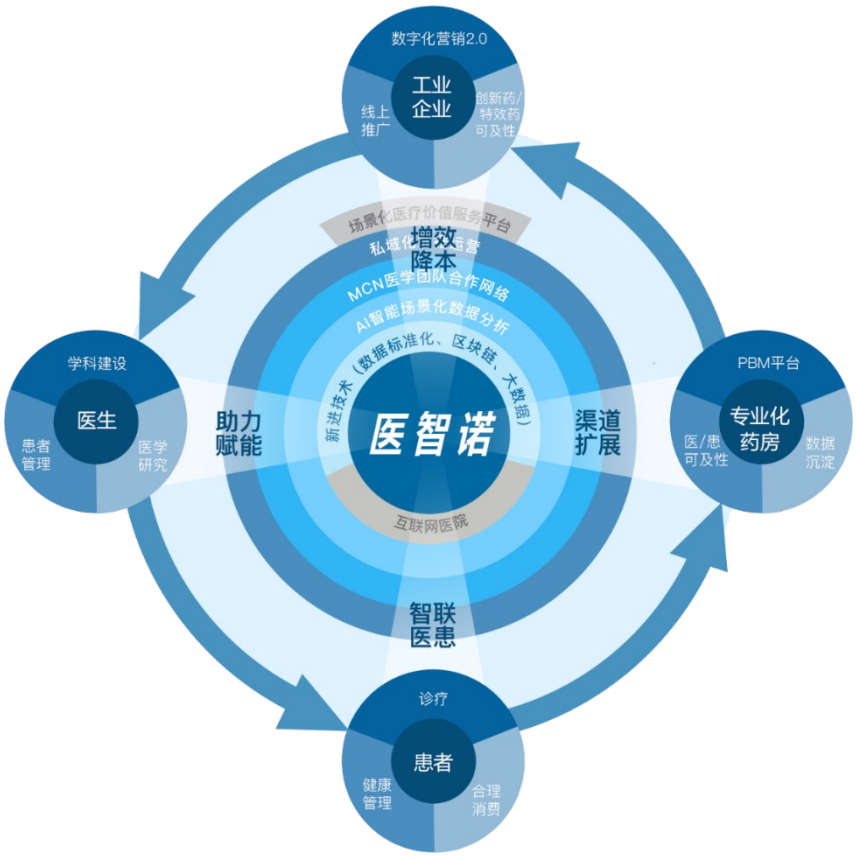
Adjusted loss for the year from continuing operations	<u>(106,466)</u>	<u>(296,722)</u>	–64%
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### Discontinued Operation

(Loss)/profit for the year from discontinued operation	<u>(5,787)</u>	<u>1,103</u>	N/A
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# **“Echartnow”, Platform for Digitized Operation Services in Healthcare Industry**

# “Echartnow” Digitized Operation and Management Platform

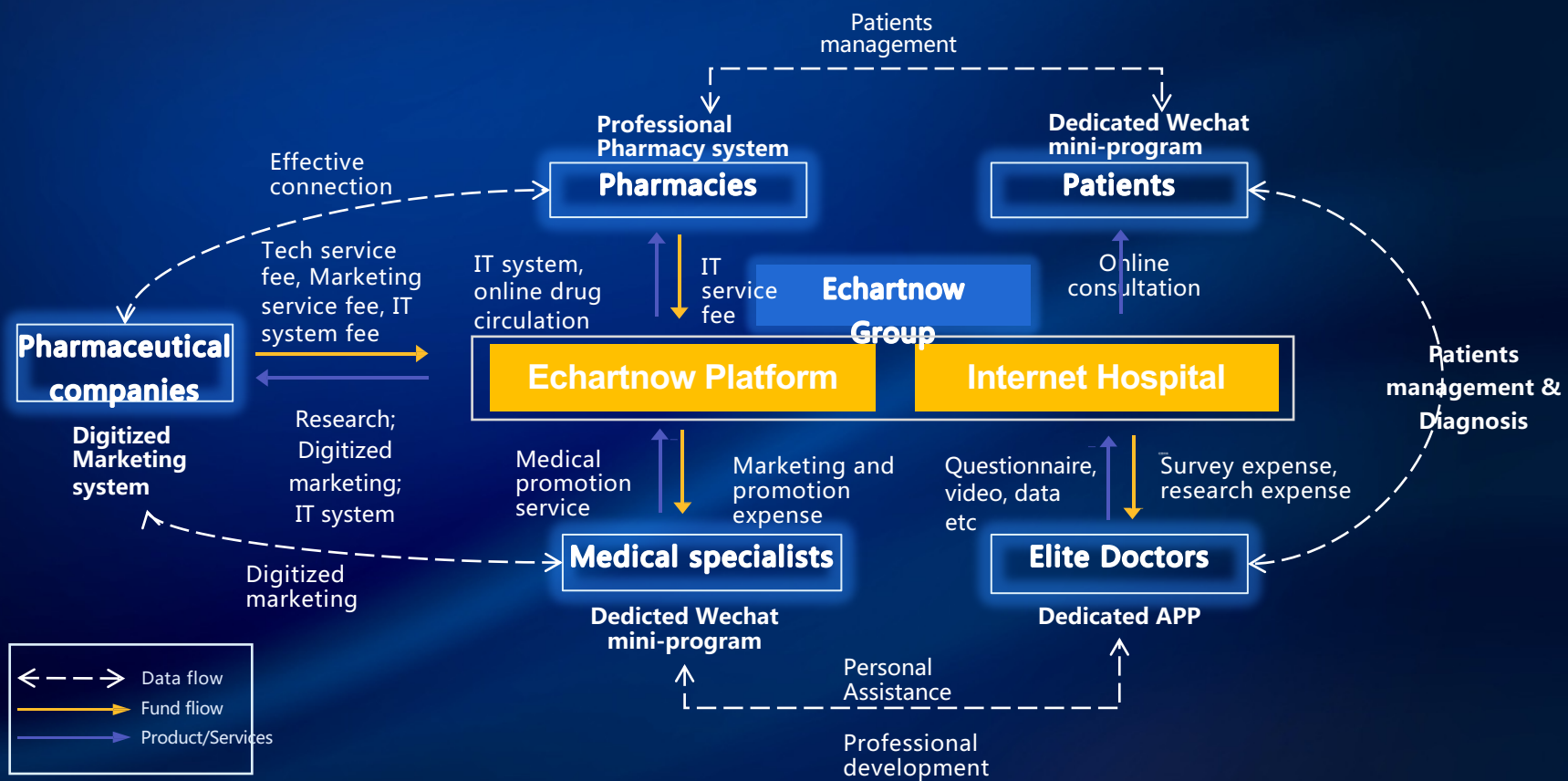


The “Echartnow” platform has introduced the independently developed “Cistanche Open Platform”, which operates on the “private domain traffic” model to offer customized “digitized operation solutions”:

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

Through the TOB strategy of “**pharmaceutical companies driving the whole industry chain**”, Echartnow uses the above closed-loop scenario-based healthcare service platform technology to empower pharmaceutical companies and build the digitized operation of the whole industry chain of the healthcare industry based on Echartnow’s digitized ecosystem.

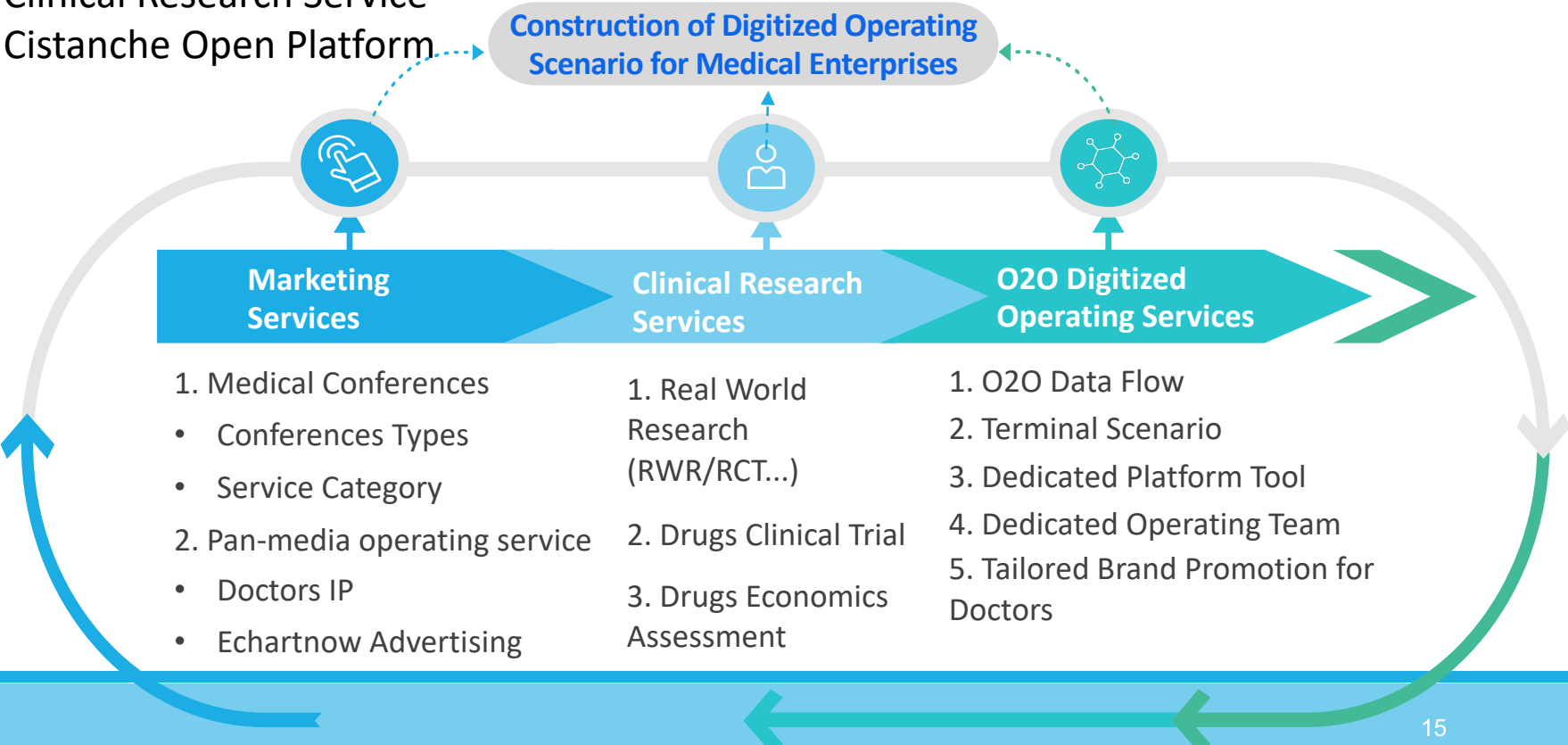
# Echartnow Current Business Model (Phase 1)



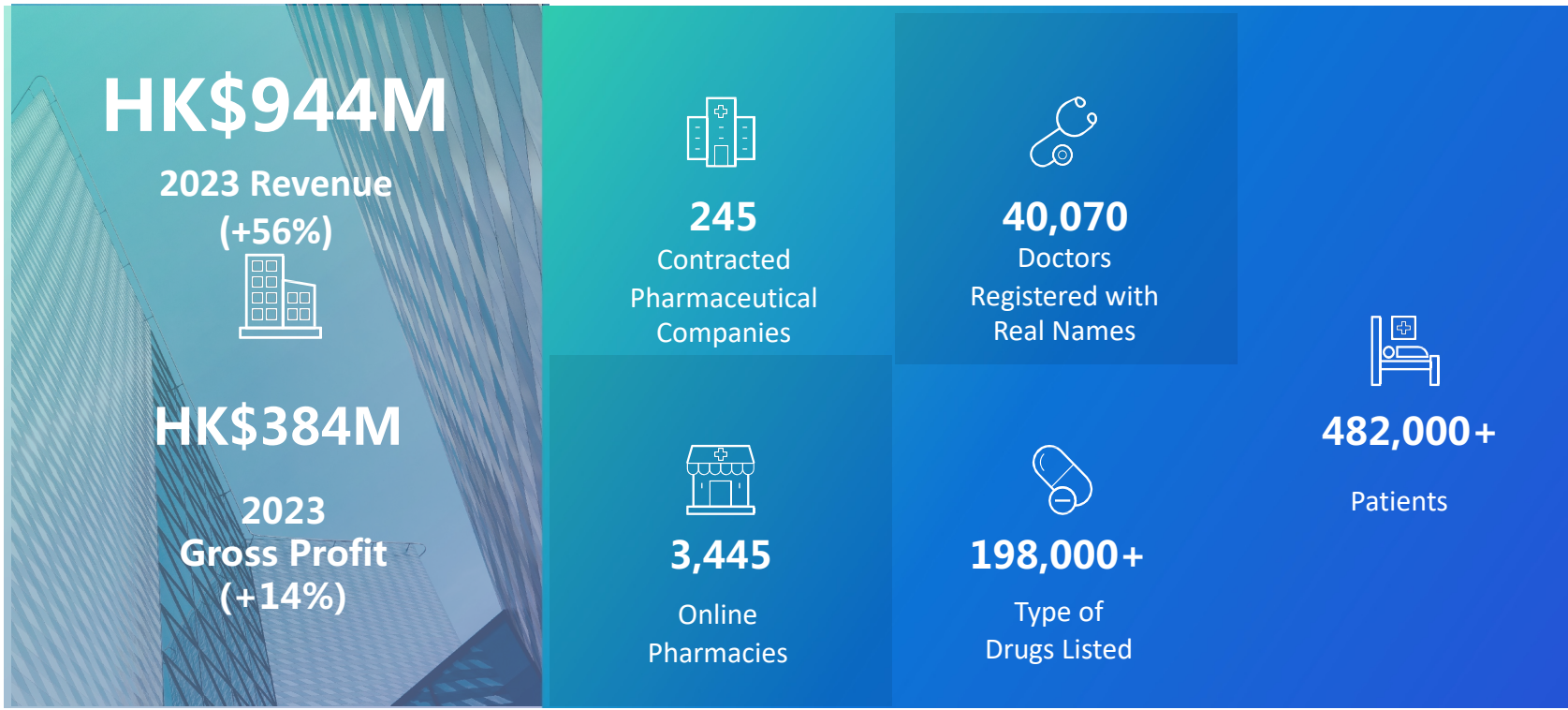
# Source of Revenue for Digitized Operation Services

The main sources of revenue of Echartnow were information service fees, technical service fees, and promotion service fees received for providing scenario-based digitized operation solutions to pharmaceutical companies, which specifically include:

1. Digitized management system
2. Marketing service
3. Clinical Research Service
4. Cistanche Open Platform



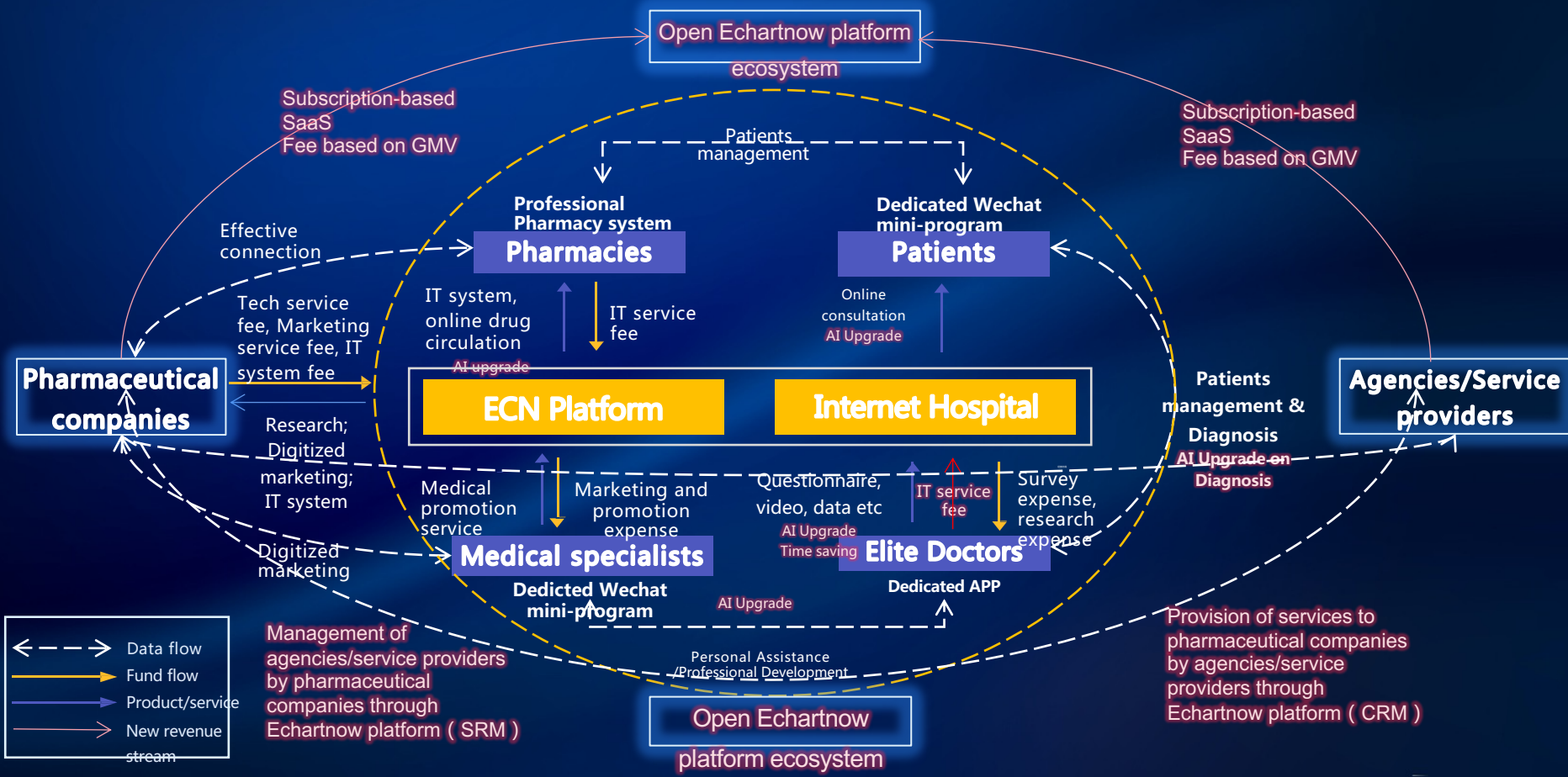
# “Echartnow” Platform Key Data (31/12/2023)



- ❖ As of 31 December 2023, the number of pharmaceutical companies that have signed up with the Echartnow platform has increased to 245, representing an increase of 53% from the end of 2022.
- ❖ Echartnow platform has now covered 40,070 doctors, representing a significant increase of 55% as compared to the end of 2022, and all doctors have registered with their real names, uploaded qualifications and passed the authentication.



# Echartnow Business Model Phase 2 (SaaS Product - Cistanche Platform)



# Echartnow Business Model Phase 2 (SaaS Product - Cistanche Platform) (Continued)

- ❖ Since the second half of 2022, Echartnow has extended its services to provide specialized SaaS products to pharmaceutical companies and their agents/service providers. In June 2023, the self-developed “Cistanche Open Platform” was launched and put into operation on a limited scale. Through the “Cistanche Open Platform,” which Echartnow has built for agents/service providers in the pharmaceutical industry chain, online pathways for different agents/service providers are effectively connected, while ensuring data segregation and role-based access control. On the one hand, Echartnow enables real-time monitoring of project execution and settlement for agents/service providers. On the other hand, the agent/service provider system of pharmaceutical companies benefits from the standardized and systematized project execution pathway offered by the “Cistanche Open Platform,” enabling the achievement of standardized project goals and enhancing the quality and efficiency of project implementation.

# Echartnow Future Prospects

- ❖ Echartnow has formed a partnership with 17 founding members, including prominent domestic pharmaceutical companies, Xi'an Jiaotong-Liverpool University Entrepreneur College, and RSM China. On 25 January 2024, they officially established the “Shanghai Biopharmaceutical Digital Operation Standard Innovation Consortium” (the “Consortium”) in Shanghai’s Pudong New Area. The primary objective of the Consortium is to drive standardized innovation and practical implementation in the digital operation of the biopharmaceutical industry. By constructing a platform that supports standardized practices, the Consortium aims to facilitate the digital transformation of the biopharmaceutical sector, thereby expediting the commercialization process of innovative drugs.
- ❖ Echartnow will persistently strengthen its core barriers and undertake the following crucial initiatives:
  - Establishing a certification pathway and standards for doctor review to ensure the reliability and professionalism of their qualifications.
  - Constructing a comprehensive service evaluation system that encompasses assessments between doctors and operators, doctors and patients, and doctors with each other, guaranteeing high-quality medical services and customer satisfaction.
  - Building a standard system for digitized operation services, including aspects such as pricing, content standards (digital assets), and compliance processes, to provide standardized and efficient operational services.
  - Collaborating with universities to establish the “Echartnow Research Institute” and leading the application for the establishment of a nonprofit organization called “Building a Healthcare Village in China”, aiming to promote the development of medical research and social welfare initiatives.
- ❖ Through sustainable positioning and development, Echartnow will empower itself to deliver superior services, rapidly enhance customer productivity, and maintain a competitive advantage in the healthcare industry, thereby laying a vital cornerstone for future success.

# Smart Healthcare Services Platform “Meerkat Health”

# “Meerkat Health”

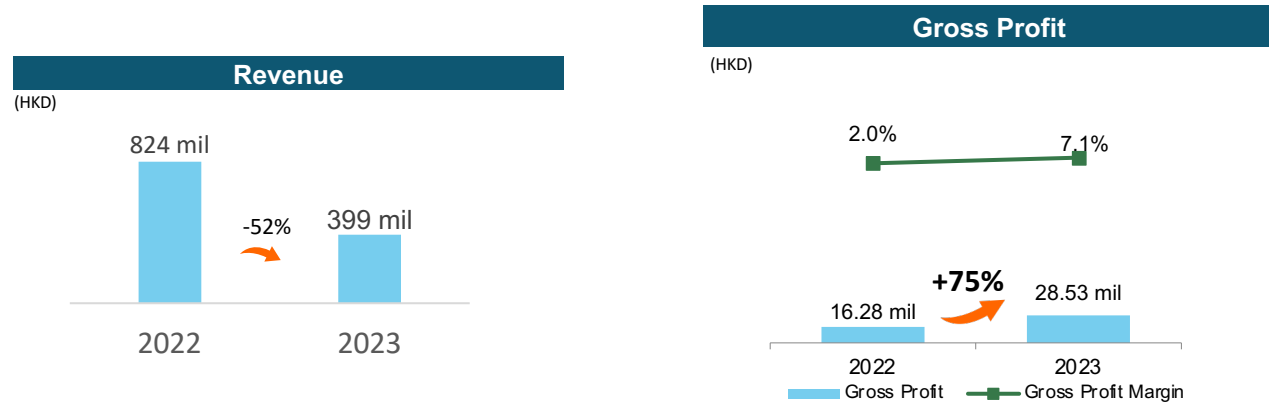
## Smart Healthcare Services Platform

Since 2023 Meerkat Health has adjusted its business and internal organizational structure. In order to **reduce expenses**, Meerkat Health has divested from its vaccination and body check businesses, which have higher costs and uncertain prospects. This move aims to streamline operations, enhance enterprise value, and improve overall efficiency. In early 2024, Meerkat Health **further scaled down its business operations** by discontinuing its private ecommerce activities and implementing a comprehensive reduction in the workforce associated with that sector, resulting in significant cost savings. Following the optimization of these business adjustments, Meerkat Health will concentrate on developing its healthcare consumption business, aiming to achieve improved operational efficiency and overall corporate growth.

# “Meerkat Health”

## Smart Healthcare Services Platform (Continued)

- ❖ As of 31 December 2023, Meerkat Health’s revenue amounted to HK\$399 million reflecting a 52% decline from the previous year. This decrease can be attributed primarily to the adjustments made in the healthcare consumption business and a decrease in the proportion of lower-margin operations.



- ❖ Meerkat Health has strategically focused its resources on expanding high margin and high-potential ventures, resulting in a significant increase in gross profit margin from 2.0% in 2022 to 7.1%. Gross profit has also seen a substantial rise of 75% to HK\$28.53 million.
- ❖ The business restructuring of Meerkat Health was completed in early 2024. As a result, Meerkat Health will be able to operate more efficiently, leading to anticipated reductions in future costs and expenses. This will enhance Meerkat Health’s cost-effectiveness and generate increased business revenue and value.

# Health Consumption Business

- ❖ The healthcare consumption business serves as the underlying core business and primary revenue source for Meerkat Health. Established in 2021, the pharmaceutical wholesale and retail operations have undergone over two years of development. Leveraging digital capabilities, Meerkat Health has built an industry leading smart supply chain system, facilitating swift, secure, and efficient delivery of medical and healthcare products and services to downstream users in the outpatient market.
- ❖ Meerkat Health’s mission is to ensure affordable access to a wide range of high-quality and comprehensive medications, promoting “good medicine for all” and driving overall efficiency improvement in the healthcare ecosystem. Meerkat Health has achieved nearly omnichannel coverage of almost 10,000 categories of drugs, medical equipment, dietary supplements, nourishing products, and other health-related products.

<b>FY2023 Sales Revenue</b> <b>HK\$399 Mil</b>	<b>End Consumers</b> <b>100,000+</b>
<b>Sales Channels</b> <b>Regions such as East China and South China</b>	<b>Downstream Customers</b> <b>Provinces such as Anhui, Jiangsu, Zhejiang, Guangdong, and Hubei</b>

# Financial Summary



# Condensed Consolidated Annual Income Statement

	Year ended 31 December	
	2023	2022
	(Audited)	(Audited)
	HK\$'000	HK\$'000
<b>Continuing Operations</b>		
Revenue	1,344,031	1,581,391
Cost of sales	(930,602)	(1,228,345)
Gross profit	413,429	353,046
Other income and other gains/(losses), net	(7,439)	(8,753)
Marketing and selling expenses	(419,683)	(499,453)
Research and development expenses	(29,491)	(35,751)
Administrative expenses	(75,860)	(109,513)
Net reversal of/(provision for) impairment of financial assets	4,569	(11,388)
Finance costs, net	(114,475)	(311,812)
Share of results of an associate	(3,605)	(1,497)
	(1,556)	(4,817)
Loss before taxation	(119,636)	(318,126)
Taxation	69	425
Loss for the year from continuing operations	(119,567)	(317,701)
<b>Discontinued Operation</b>		
(Loss)/profit for the year from discontinued operation	(5,787)	1,103
Loss for the year	(125,354)	(316,598)

# Condensed Consolidated Annual Income Statement (Continued)

	Year ended 31 December	
	2023	2022
	(Audited)	(Audited)
	HK\$'000	HK\$'000
Attributable to:		
Equity holders of the Company		
– continuing operations	(91,300)	(271,083)
– discontinued operation	(5,787)	1,103
	<u>(97,087)</u>	<u>(269,980)</u>
Non-controlling interest		
– continuing operations	(28,267)	(46,618)
	<u>(28,267)</u>	<u>(46,618)</u>
	<u><u>(125,354)</u></u>	<u><u>(316,598)</u></u>
(Loss)/earnings per share attributable to the equity holders of the Company for the year	HK Cents	HK Cents
Basic and diluted (loss)/earnings per share		
– from continuing operations	(0.67)	(2.00)
– from discontinued operation	(0.04)	0.01
	<u>(0.71)</u>	<u>0.01</u>
	<u><u>(0.71)</u></u>	<u><u>(1.99)</u></u>

# Condensed Consolidated Annual Balance Sheet

	Year ended 31 December	
	2023	2022
	(Audited)	(Audited)
	HK\$'000	HK\$'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,453	13,943
Right-of-use assets	14,530	41,732
Intangible assets	2,274	4,527
Goodwill	27,203	27,853
Interests in associates	228,033	238,575
Financial assets at fair value through profit or loss	9,856	17,110
Prepayments, deposits and other receivables	45,798	3,846
	<u>333,147</u>	<u>347,586</u>
<b>Current assets</b>		
Inventories	4,332	4,832
Trade and bills receivables	96,436	95,787
Prepayments, deposits and other receivables	60,291	99,585
Financial asset at fair value through profit or loss	5,049	–
Restricted cash	–	3,096
Cash and cash equivalents	27,037	38,300
	<u>193,145</u>	<u>241,600</u>
<b>Total assets</b>	<u>526,292</u>	<u>589,186</u>

# Condensed Consolidated Annual Balance Sheet (Continued)

	Year ended 31 December	
	2023	2022
	(Audited)	(Audited)
	HK\$'000	HK\$'000
<b>Equity and liabilities</b>		
<b>Equity</b>		
Equity attributable to the equity holders of the Company		
Share capital	271,707	271,707
Reserves	18,486	116,493
	<u>290,193</u>	<u>388,200</u>
Non-controlling interests	(67,400)	(38,275)
	<u>222,793</u>	<u>349,925</u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Lease liabilities	8,150	13,773
Long-term financial liabilities	27,606	–
Deferred income tax liabilities	442	525
	<u>36,198</u>	<u>14,298</u>
<b>Current liabilities</b>		
Trade payables	108,115	94,182
Other payables and accrued liabilities	74,757	78,265
Contract liabilities	4,918	8,922
Bank and other borrowings	72,231	32,740
Lease liabilities	7,280	10,854
	<u>267,301</u>	<u>224,963</u>
<b>Total liabilities</b>	<u>303,499</u>	<u>239,261</u>
<b>Total equity and liabilities</b>	<u>526,292</u>	<u>589,186</u>