

Hony Media Group

(Stock Code: 00419.HK)

Interim Results Presentation

For the 6 months ended 30 June 2024

23 August 2024

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Results Highlights

2024 Interim Results Highlights

- ❖ The Group has changed its name from “Huayi Tencent Entertainment Company Limited” to “Hony Media Group” during the period. On one hand, it continued to optimize its existing internet healthcare business, while on the other hand, it completed the issuance of convertible bonds to an entity under Hony Capital. Mr. Zhao John Huan, Chairman of Hony Capital, was appointed as the Chairman of the Board of Directors of the Company, and Mr. Cheng Wu was appointed as the Chief Executive Officer, focusing on the strategic development of international culture, media and entertainment businesses
- ❖ Benefiting from continuous cost control and the business restructuring of the smart healthcare services platform “Meerkat Health”, the loss from continuing operations during the period significantly narrowed by 31% to approximately HK\$46.18 million from approximately HK\$67.21 million during the same period last year
- ❖ “Echartnow”, the digitized operation service in the healthcare industry, was the main source of revenue for the Group, recording revenue of HK\$373 million (same period in 2023: HK\$482 million) during the period, representing a decrease of 23% compared to the same period last year, mainly due to changes in business structure and customer structure under the healthcare reform policy. The number of contracted pharmaceutical companies continued to grow, increasing by 24.5% compared to the end of 2023. The platform covers registered doctors in key departments such as pediatrics, oncology, and cardiovascular, with the number of registered doctors increasing by 32.6% compared to the end of 2023
- ❖ During the Period, “Meerkat Health” has further terminated the private e-commerce business with unclear development prospects and fully reduced related personnel, focusing on operating the healthcare consumption business and recorded HK\$116 million (same period in 2023: HK\$148 million), representing a decrease of 21% compared to the same period last year. It is due to the revenue from the same period last year included approximately HK\$11.57 million from divested businesses such as vaccines and health examinations; and the proportion of lower-margin business was reduced, concentrating resources on expanding high-margin, high-potential businesses. The segment loss during the period significantly narrowed by 86% to HK\$4.58 million (same period in 2023: HK\$32.76 million)

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

“Echartnow” continuously developing in multiple dimensions

- ❖ Echartnow is strategically positioned as a frontrunner in digitized operations for the healthcare industry, providing enterprises with full development cycle digitized operation solutions through online and offline integration. During the period, Echartnow continued to develop in multiple dimensions, on one hand deepening its core competitive advantages in business development and building business moats, and on the other hand collaborating with large healthcare enterprises to establish the first standard innovation consortium, further expanding its industry influence.

Driving forward with both core competitiveness and industry influence

- ❖ In January 2024, under the guidance of Shanghai Municipal Administration for Market Regulation and Pudong New Area Administration for Market Regulation, Echartnow, together with several large domestic pharmaceutical companies, officially established the first standard innovation consortium in the pharmaceutical industry in Shanghai, the “Shanghai Biopharmaceutical Digital Operation Standard Innovation Consortium” (**the “Consortium”**), to support the digital transformation of the biopharmaceutical industry through standardization, thereby accelerating the commercialization process of innovative drugs. This project was also included as one of the four important achievements in national standardization system innovation, showcasing Echartnow’s strength as an industry leader.
- ❖ In March 2024, Echartnow’s Shanghai headquarters was officially launched, leveraging regional policies and integrated resource advantages to further promote business development in the Yangtze River Delta region.
- ❖ Echartnow officially opened the “Cistanche Digitized Operation and Management Platform” to provide digital transformation services for enterprises. The “Cistanche Digitized Operation and Management Platform” creates standardized and systematic digital marketing strategies for enterprises through standardized operation systems, AIGC capabilities, and industry application small models. During the period, Echartnow adjusted the business model of the Cistanche ecosystem, shifting from the traditional SaaS system sales model to charging service fees based on platform turnover, deepening the implementation of inclusive industrial digital transformation concepts while further promoting the digital transformation process of the healthcare industry

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(30/6/2024)



- ❖ As of 30 June 2024, the number of pharmaceutical companies that have signed up with the Echartnow platform has increased to 305, increasing by 24.5% compared to the end of 2023, including well-known companies such as Qilu Pharmaceutical and CSPC Pharmaceutical Group
- ❖ Echartnow platform has now covered 53,150 doctors, increasing by 32.6% compared to the end of 2023 . All doctors have completed real-name registration, uploaded qualification documents, and passed authentication.

“Echartnow” Outlook

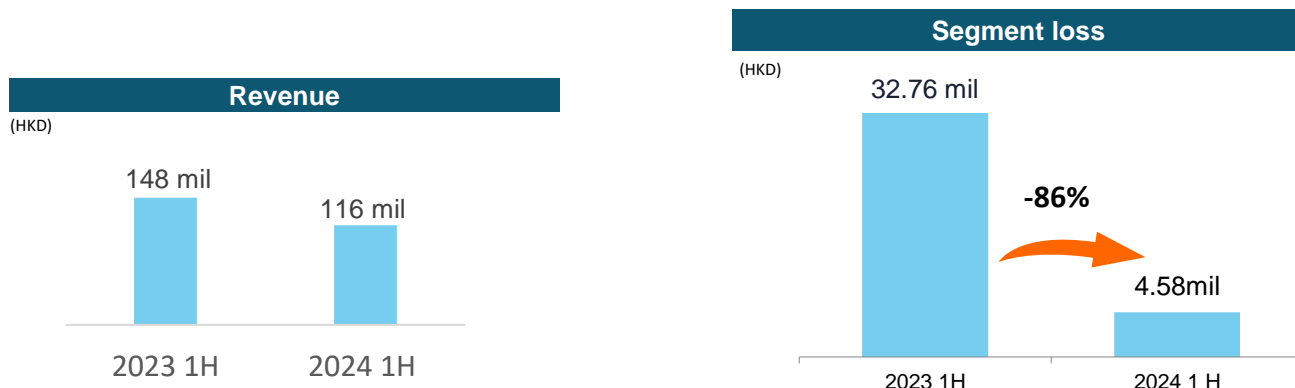
- ❖ Echartnow will continue to closely follow national policy directions, actively respond to the comprehensive and normalized requirements of anti-corruption in healthcare, deepen the construction of compliance systems, and assist in the legal and compliant digital transformation of the industry. Through open cooperation, Echartnow will share the results of digital transformation with the industry, promoting the deepening of industry digital transformation. At the same time, it will seize policy signals supporting innovation, assist in the research and development and marketing processes of biopharmaceuticals, meet clinical needs, and promote high-quality development of the healthcare industry.
- ❖ Echartnow will actively participate in and promote the formulation and implementation of compliance standards for digital operations in the biopharmaceutical industry. Leveraging the platform resource advantages of the Consortium, it will formulate digital operation compliance standards that meet the actual needs of the industry. Through the implementation of the **“Biopharmaceutical Digital Operation Compliance Guidelines”**, it will standardize service processes, improve service efficiency, ensure data security, and promote the industry’s advancement towards standardization and intellectualization. At the same time, Echartnow will strengthen ESG (Environmental, Social, and Governance) innovation practices to achieve green and sustainable development, improve public health standards, and promote social employment and economic development.
- ❖ Echartnow will also actively engage in in-depth exploration with government departments in areas such as public data authorization, assetization, and circulation transactions. By integrating medical insurance and industry data, it will provide precise market insights and R&D support for biopharmaceutical enterprises, accelerating enterprise growth. At the same time, it will promote the deep integration of pharmaceutical digital marketing and R&D innovation, using big data and AI technologies to optimize marketing strategies and feed back into new drug R&D, jointly promoting the digital transformation and high-quality development of the industry. It will also advance the first domestic customer data asset entry into financial statements and data asset financing, realizing the circulation and transaction of data elements, and enhancing the leading role of the biopharmaceutical industry in data asset applications.

“Smart Healthcare Services Platform “Meerkat Health”

“Meerkat Health” Smart Healthcare Services Platform

Facing new economic development trends and future market development trends, Meerkat Health has been proactively restructuring its business and internal organization since 2023. To **optimize revenue structure** and **concentrate resources** on developing core businesses, following the earlier divestment of high-cost and uncertain-prospect business segments such as vaccines and health examinations, it further terminated the private e-commerce business with unclear development prospects and fully reduced related personnel during the period, **focusing on operating the healthcare consumption business** to achieve better operational efficiency and enterprise development.

- ❖ As of 30 June 2024, Meerkat Health’s revenue was HK\$116 million, representing a decrease of 21% compared to the same period last year. The main reason for this decrease was that the revenue from the same period last year included revenue from divested businesses such as vaccines and health examinations; and the proportion of lower-margin business was reduced during the period, concentrating resources on expanding high-margin, high-potential businesses.
- ❖ The segment loss during the period significantly narrowed by 86% to HK\$4.58 million (same period in 2023: HK\$32.76 million), reflecting the effective reduction in operating costs and improved enterprise efficiency resulting from the business and structural reorganization completed during the period.



Health Consumption Business

- ❖ The healthcare consumption business is the foundational core business and the main source of revenue for Meerkat Health. Since its establishment in 2021, Meerkat Health has successfully empowered the out-of-hospital market through digital technology and core business capabilities. It has now built a smart supply chain system, delivering pharmaceutical and healthcare products and services to downstream users in a swift, secure, and efficient manner, ensuring that all users can access a large, comprehensive, and quality-assured range of pharmaceuticals at fair and transparent prices
- ❖ Meerkat Health, realizing the corporate mission of “good medicine for all”, ensuring that pharmaceutical and healthcare products and services can be quickly and accurately delivered to every user. Driving the overall efficiency of the healthcare ecosystem. Currently, it has achieved full-channel coverage of nearly 10,000 types of pharmaceuticals, medical devices, health supplements, tonics, and general health products

H1 FY2024 Sales Revenue

HK\$116 million

Customers Serving

100,000+

Coverage

**Eastern and southern
China regions**

Product Categories

~10,000

Entertainment and Media

Entertainment and Media

- ❖ During the period, Mr. Zhao John Huan, Chairman of Hony Capital, was appointed as the Chairman of the Board of Directors of the Company, and Mr. Cheng Wu was appointed as the Chief Executive Officer, focusing on the strategic development of international culture, media and entertainment businesses, striving to realize the vision of building a world-leading global content creation platform.
- ❖ The Group will strive to realize the vision of building a Global Content Creation Platform. It will continue to lay out and cultivate in key target markets such as South Korea, Japan, and the United States, explore and nurture excellent creative teams, promote the output of content works and excellent IP with high cultural and commercial value, build an internationalized complete industry chain, and cultivate internationally renowned and recognized IP, creating sustainable business value for shareholders
- ❖ HB Entertainment (primarily involved in production and investment in film and television drama projects and provision of artist management and agency services in South Korea), in which the Group held a 30.77% equity stake, produced and released the television drama “My Man Is Cupid”. The drama, starring well-known actors Jang Dong-yoon and Im Jin-ah, was exclusively broadcast on Amazon Prime Video since December 2023 and received favourable viewership ratings and reviews.



Financial Summary

Condensed Consolidated Interim Income Statement

	6 moths ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	(Restated) HK\$'000
Continuing Operations		
Revenue	489,398	630,242
Cost of sales	(356,200)	(417,123)
Gross profit	133,198	213,119
Other income and other gain/(losses), net	8,814	(4,078)
Marketing and selling expenses	(133,808)	(218,477)
Research and development expenses	(7,720)	(18,363)
Administrative expenses	(37,914)	(39,531)
Net reversal of impairment of financial assets	1	22
	(37,429)	(67,308)
Finance costs, net	(6,866)	(1,196)
Share of result of an associate	(2,104)	1,516
Loss before taxation	(46,399)	(66,988)
Taxation	215	(218)
Loss for the period from continuing operations	(46,184)	(67,206)
Discontinued Operation		
Profit for the period from discontinued operation	-	9,829
Loss for the period	(46,184)	(57,377)

Condensed Consolidated Interim Balance Sheet

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	3,524	5,453
Right-of-use assets	10,484	14,530
Intangible assets	1,635	2,274
Goodwill	27,118	27,203
Interests in associates	212,915	228,033
Financial assets at fair value through profit or loss	9,786	9,856
Prepayments, deposits and other receivables	45,709	45,798
	311,171	333,147
Current assets		
Inventories	2,276	4,332
Trade and bills receivables	56,555	96,436
Prepayments, deposits and other receivables	109,861	60,291
Financial asset at fair value through profit or loss	5,013	5,049
Cash and cash equivalents	45,968	27,037
	219,673	193,145
Total assets	530,844	526,292

Condensed Consolidated Interim Balance Sheet (Continued)

EQUITY AND LIABILITIES	30 June 2024	31 December 2023
	(Unaudited) HK\$'000	(Audited) HK\$'000
Equity		
Equity attributable to the equity holders of the Company		
Share capital	271,707	271,707
Reserves	(35,031)	18,486
	236,676	290,193
Non-controlling interests	(72,739)	(67,400)
Total equity	163,937	222,793
Liabilities		
Non-current liabilities		
Lease liabilities	5,789	8,150
Long-term financial liabilities	46,181	27,606
Long-term other borrowing	19,941	-
Convertible bonds	114,411	-
Deferred income tax liabilities	204	442
	186,526	36,198
Current liabilities		
Trade payables	52,211	108,115
Other payables and accrued liabilities	63,732	74,757
Contract liabilities	4,891	4,918
Bank and other borrowings	54,017	72,231
Lease liabilities	5,530	7,280
	180,381	267,301
Total liabilities	366,907	303,499
Total equity and liabilities	530,844	526,292