

[Immediate Release]

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**Huayi Tencent Entertainment Announces Strategic Layout on
 Digitalized Pharmaceutical and Medical Care Services
 and Proposed Acquisitions of Prescription Drugs New Retail Platform
 and TCM SaaS Platform**

(29 March 2021 – Hong Kong) **Huayi Tencent Entertainment Company Limited** (“**Huayi Tencent Entertainment**,” the “**Company**”; Stock code: 00419.HK; together with its subsidiaries collectively known as the “**Group**”) is pleased to announce its expansion towards digitalization of pharmaceutical and medical care services through two proposed investment and collaboration projects as the Group’s investments in Entertainment and Media business have begun to generate returns, with a view to devising a steady and sturdy business landscape. The two projects include (1) new retail platform for prescription drugs and (2) Software as Services (“**SaaS**”) platform for the entire Traditional Chinese Medicine (“**TCM**”) industry chain.

(1) New retail platform for prescription drugs

The Group is in negotiation to acquire of the controlling stakes in a startup which has developed a new retail platform for prescription drugs. This new retail platform is an online prescription drug system that connects doctors, patients and physical pharmacies. It mainly operates in Shaanxi and Guangxi areas at presence and sets to swiftly replicate nationwide. According to the Intelligence Research Group, the scale of prescription drug outflow from medical institutions (i.e. the right to purchase prescription drugs being handed to patients) in 2020 was approximately RMB400 billion to RMB500 billion and such scale shows signs of a gradual expansion with the National Healthcare Security Administration carrying out volume-based purchase. Possessing all necessary certificates and qualifications, the new retail platform for prescription drugs has established a closed loop starting from doctors issuing electronic prescriptions, patients ordering prescription drugs at pharmacies, online payment to finally delivery of the drugs prescribed, and is well-versed to capture the opportunity rising from prescription drug outflow.

(2) SaaS for the entire TCM industry chain

The Group has entered into a letter of intent for the proposed acquisition of a minority

stake in an enterprise which develops a SaaS platform for entire TCM industry chain, with the right to gradually acquire additional shareholding in this enterprise to a controlling stake ultimately, subject to this enterprise meeting its performance milestones. The aforesaid TCM platform is the founding and leading SaaS platform for the entire TCM industry chain in China. It covers modules such as (i) big data real-time analysis system; (ii) smart management system of TCM supply chain; (iii) TCM dispensary management system; (iv) electronic prescription circulation system; (v) electronic prescription evaluation system; (vi) TCM source tracking system; and (vii) TCM shared service platform, etc. The platform has already commenced services in some counties and cities in Shandong and Shanxi provinces through cooperation with local health authorities, empowering a dozen of TCM hospitals with shared TCM dispensaries. It has also entered into cooperation agreements with a multiple of counties and cities and set to swiftly replicate nationwide.

According to the Chinese Academy of Industry Economy Research, China's TCM market has reached RMB580.6 billion at a CAGR of 8.2% over the past five years. The cultivation area of Chinese medicinal herb has also risen sharply from 40.0 million mu in 2014 to 66.2 million mu in 2020. While the market booms, the industry also faces challenges in terms of standardization, management of the source of the medicine as well as shortage of qualified personnel. To promote the continuity and development of TCM, a number of policies has been promulgated in China in recent years, including "Opinions on Supporting and Promoting the Development of TCM", which comprehensively refines the prevailing mechanism, as well as the "National Production Bases of Authentic Chinese Medicinal Materials Construction Plan", which regulates the quality of crude drugs from the upstream of the supply chain. Through enhancing the holistic management of TCM, the Group expects the aforementioned SaaS platform for the entire TCM industry chain to contribute to the rapidly-growing and high-quality development of TCM.

Mr. Yuen Hoi Po, Executive Director and Chief Executive Officer of Huayi Tencent Entertainment, said, "The Group's two business segments, namely healthcare and entertainment, have been mutually complementary for the steady development of the Group. As *"Space Sweepers"* and *"Cherry"* have released and the production of *"Extinct"* and *"Moonfall"* will complete in succession, the Group expects a significant increase of revenue from the Entertainment and Media segment in 2021 as compared to 2020.

Following the sucker punch on the film industry over the past year, the Group will

strenuously develop its strategic layout in the realms of pharmaceutical and medical care services when carrying on its entertainment and media segment. Already the world's most promising market for pharmaceutical and medical care services, China is now full steam ahead with regard to industry digitization in the wake of the implementation of a series of medical and pharmaceutical reforms put forth by the government. With the two proposed investment projects, the Group has kicked off its new strategic initiatives on digitalization of pharmaceutical and medical care services. Both projects have been configured and precisely poised to emerging segments along the industry chain, capturing the unprecedented opportunities from healthcare reforms and digitalization.”

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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 Healthcare and Entertainment and Media. The Group’s Healthcare business focuses on the operation of “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. In respect to the Entertainment and Media business, the Group produces quality international films, animations, and TV dramas, and invests in international entertainment companies through M&As and resource integration, aimed at building an integrated platform with both content development and online-to-offline entertainment channels.

This press release is disseminated by Financial PR (HK) Limited on behalf of Huayi Tencent Entertainment Company Limited.

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