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)

VOLUNTARY ANNOUNCEMENT
BUSINESS UPDATE

This announcement is made by Huayi Tencent Entertainment Company Limited (the "Company", together with its subsidiaries, the "Group") on a voluntary basis. The purpose of this announcement is to keep the shareholders of the Company and potential investors informed of certain latest business developments of the Group.

BUSINESS UPDATE

As disclosed in the Company's results announcement dated 25 March 2021, with a view to devise a steady and sturdy business landscape, the Group pledges continued effort to intensify its collaboration with strategic partners, as well as to actively identify other opportunities with good potentials while keeping up the momentum of development of the Group's Entertainment and Media businesses. Alongside the release of "*Space Sweepers*" and "*Cherry*" and the completion of other projects in progress, such as "*Extinct*" and "*Moonfall*", in succession, the Group expects a significant increase of revenue from the "Entertainment and Media" segment in 2021 as compared to 2020.

Meanwhile, the Group is also strenuously developing its strategic layout in the realms of pharmaceutical and medical care services in the People's Republic of China (the "PRC"). Already the world's most promising market for pharmaceutical and medical care services, the PRC 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 PRC government. As at the date of this voluntary announcement, the Group has the following potential investment and collaboration projects with regard to the digitalization of pharmaceutical and medical care services-

1) New retail platform for prescription drugs

The Group is currently in negotiation with potential partners for the acquisition of the controlling stakes in a startup enterprise which has developed a new retail platform for prescription drugs. This startup enterprise, whose business license covers business scopes including "Internet diagnosis and treatment", owns a physical clinic and possesses comprehensive permits, including the "Practicing License for a Medical Institution", the "Qualification Certificate for Drug Information Services over the Internet" and the "Certificate of Grade III Protection of Information System Security", etc. Developed by the startup enterprise, the new retail platform for prescription drugs can connect doctors, patients and physical pharmacies and establish a closed loop starting from doctors issuing electronic prescriptions, patients ordering prescription drugs at pharmacies, online payment to finally delivery of the drugs prescribed.

According to the "PRC Prescription Drug Market Operational Risk and Developmental Trend Analysis Report, 2020-2026" published by 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 is 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. The aforementioned new retail platform for prescription drugs currently operates mainly in Shaanxi and Guangxi areas, and will rapidly replicate this new platform nation-wide by positively seizing the business opportunity offered by the reformation of the healthcare system of the PRC.

No binding agreement nor formal agreement has been entered into by the Group in relation to the abovementioned potential acquisition as at the date of this voluntary announcement. The Board wishes to emphasize that the abovementioned potential acquisition may or may not proceed. If the abovementioned potential acquisition materializes, it may constitute a notifiable transaction on the part of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company will make further announcements in according with the Listing Rules as appropriate.

2) Software as a Service ("SaaS") platform for the entire Traditional Chinese Medicine ("TCM") industry chain

The Group has signed a letter of intent for the proposed acquisition of a minority stake in an enterprise which develops a SaaS platform for the entire TCM industry chain, with the investment expected to be completed within the first half of 2021. In addition to the minority stake investment, the Group is entitled to gradually acquire additional interests in the enterprise subject to this enterprise meeting its performance milestones, resulting in the Group holding controlling stakes of the enterprise ultimately.

The aforesaid TCM platform is the founding and leading SaaS platform for the entire TCM industry chain in the PRC. The platform 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. Through collaboration with local health authorities, the platform has already commenced services in some counties and cities in Shandong and Shanxi provinces. More than ten local TCM hospitals have established shared TCM dispensaries and rendered even better TCM prescription and consultation services to local citizens, thereby effectively enhancing the overall standard of TCM services. Through entering into of cooperation agreements with a multiple of counties and cities, the platform is rapidly replicating and extending its reach across the PRC.

According to the statistics provided in the "2020 PRC TCM Market Outlook and Investment Opportunities Research Report" prepared by the Chinese Academy of Industry Economy Research, the TCM industry in the PRC has grown rapidly between 2016 and 2020, and its market size flourishing to RMB580.6 billion in 2020 with a compound growth rate of 8.2%. Meanwhile, 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 the PRC 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.

No binding agreement has been entered into by the Group in relation to the abovementioned potential acquisition as at the date of this voluntary announcement. The Board wishes to emphasize that the abovementioned potential acquisition may or may not proceed. If there is any further development of the abovementioned potential acquisition, the Company will make further announcements in according with the Listing Rules as appropriate.

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, 29 March 2021

As at the date of this announcement, the Board comprises:

Executive directors: Mr. WANG Zhongjun (Chairman), Mr. CHENG Wu (Vice Chairman), Mr. YUEN Hoi Po (Chief Executive Officer)
Independent non-executive directors: Dr. WONG Yau Kar David, GBS, JP, Mr. YUEN Kin, Mr. CHU Yuguo)