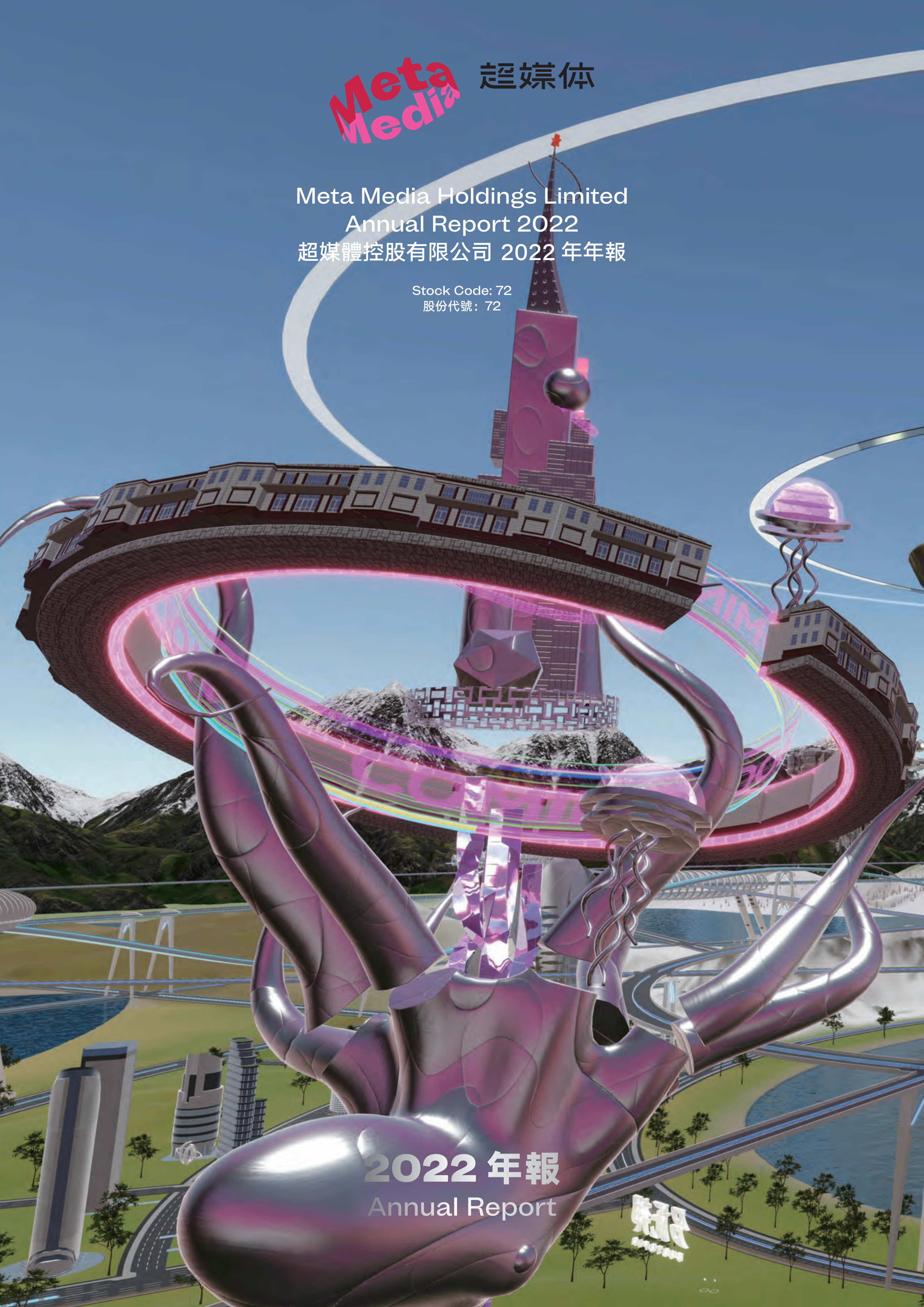
# Meta Media Holdings Limited
# Annual Report 2022
# 超媒體控股有限公司 2022 年年報

Stock Code: 72
股份代號：72



2022 年報
Annual Report

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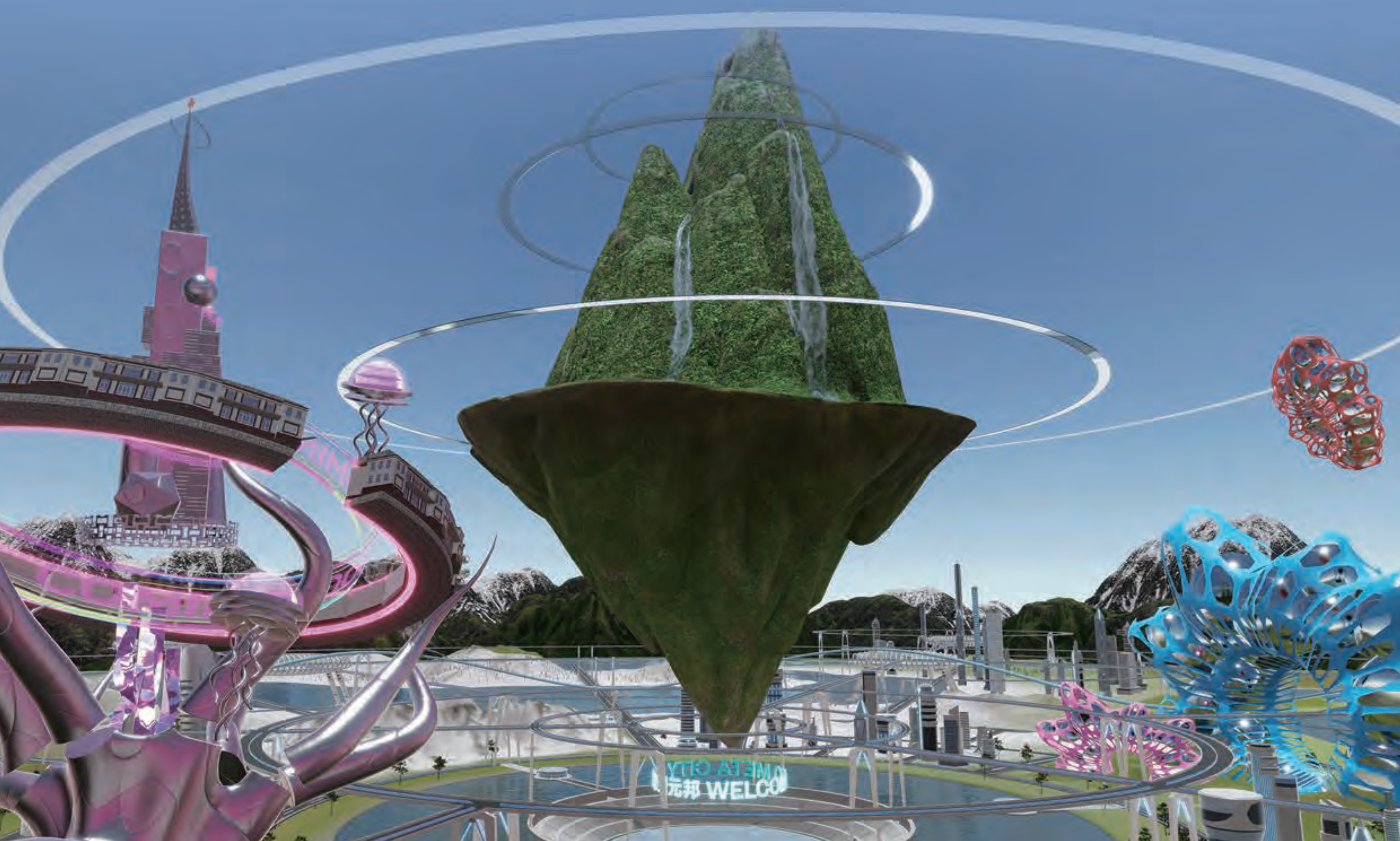


# ABOUT META MEDIA

Meta Media Holdings Limited (the "Company" or "Meta Media") and its subsidiaries (collectively, the "Group" or "Meta Media Group" or "we") is a new and innovative international composite media group. Internationalization, style, refined taste and social responsibility are our corporate genes. No matter how the market changes, with the spirit of "Modern China, Global Version", establishing an international media based in China is our will, power and dream that has never changed. To this end, in the process of practice, through continuous innovation and exploration, the form can also be eclectic and constantly transformed from print products to digital products, and then to the space platform and Metaverse platform. We also constantly endow new spirit of the time and cultural and creative connotations. On the other hand, organizational structure can be constantly adjusted and developed.

We have the courage and ability to create new business. Constantly trying to create a different business and making our lives different are our expectation for ourselves and Meta Media. This is also why Meta Media Group is young and energetic.

We have been striving to build Meta Media Group into a leading, high-profile media group in China. Over 30 years of entrepreneurship, Meta Media Group has become one of the most innovative and internationalized high-profile media group in China. The Group has different types of innovative content including business, culture, art, fashion, lifestyle, and multimedia integration strategic platforms which combine digital technology, space platform and Metaverse platform. The Group has established years of partner relationships with the most influential international media agencies and organizations, such as Bloomberg Limited Partnership, Time Inc., UK Publishing Groups, French Publishing Groups and other renowned international media groups. In recent years, we acquired the controlling equity interest of NOWNESS, one of the world's most influential online platform for young people's creative and cultural video broadcasting, from the famous French luxury brand Louis Vuitton and owns the controlling equity interest of ArtReview, an art commentary magazine with a history of over 70 years. All these have further expanded the presence of Meta Media Group in the global market and further enhanced its international recognition and influence.

On 14 January 2022, the English name of the Company was changed from "Modern Media Holdings Limited" to "Meta Media Holdings Limited" and the Chinese name of the Company was changed from "現代傳播控股有限公司" to "超媒體控股有限公司". The new name "Meta Media" is a name with a great sense of future and a symbol of the spirit of the times, representing the Group's transformation from "Modern" to "Ultra Modern" and full entry into the field of metaverse and artificial intelligence chatbot.

While developing business, Meta Media Group has always been committed to social public welfare. 15 years ago, we began to help the development of special education in China. In Songzi, Hubei Province, we helped to build a "Modern Media Special Education School" which won numerous government awards and honors in China. Moreover, we established the "Modern Media Special Education Foundation" as a charity organization to further expand the support and development for special education. The social responsibility has always been the DNA of Meta Media Group, in which, we hope to make more efforts and contributions.

# 超媒體大平台

## META MEDIA PLATFORM

### 藝術 Art

周末画报 MODERN WEEKLY
MMart+
InStyle 优家画报
NOWNESS 现在
艺术世界 ArtReview
ArtReview Asia
ArtReview
BROWNIE
LEAP
THE ART NEWSPAPER 艺术新闻
商业周刊/中文版 Bloomberg Businessweek
Bloomberg Businessweek 彭博商业周刊/中文版
LIFEMAGAZINE 生活
號外
IDEAT理想家
生活家 ARBITER
Numéro CHINA
LOHAS 乐活
ZINU誌屋
Modern Art KITCHEN

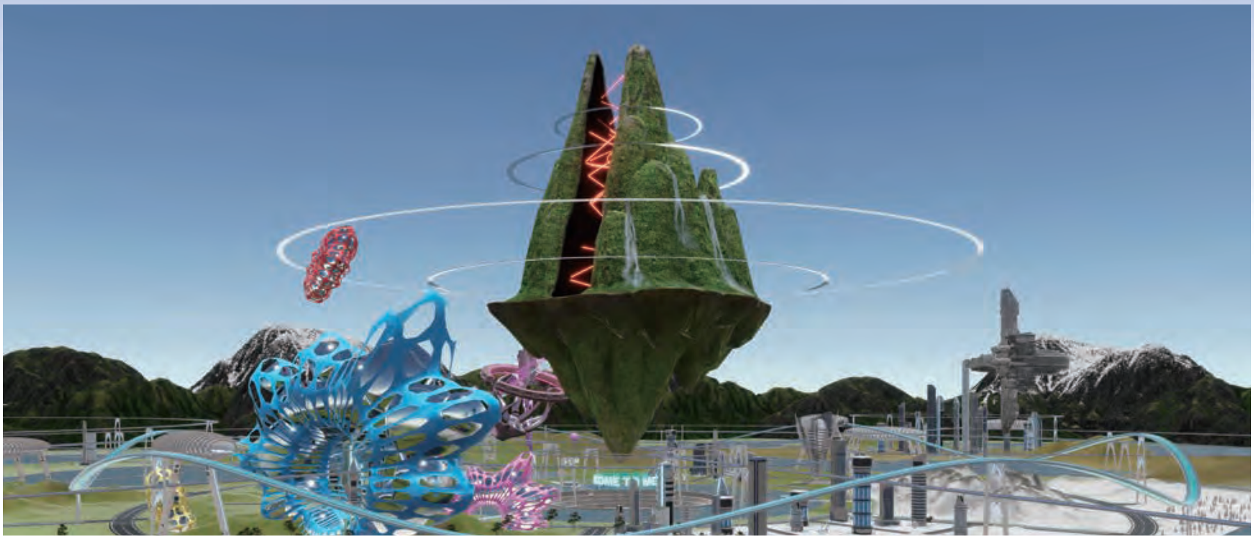
### 數碼 Digital

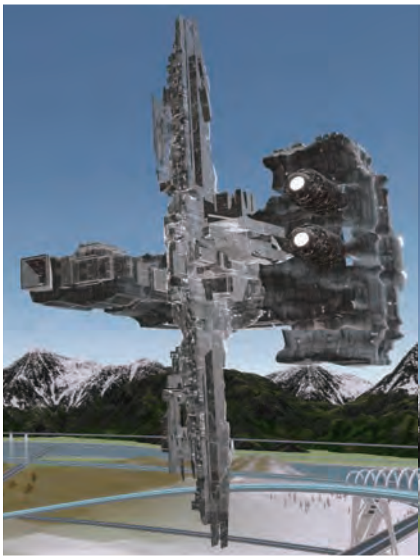
W
商业周刊
InStyle
IDEAT
A
A
乐活
VERA CITY 號外
iFASHION
现在
NOWNESS 现在

### 元宇宙 Metaverse

元邦 meta city
meta city 元邦
meta eye超界

# THREE MAJOR BUSINESS SECTORS OF META MEDIA GROUP





## 1. METAVERSE – LEADING THE FUTURE

Meta Media Group is always at the forefront of the times. After the success of print publication, digital platform, and art marketing, the Group formally changed its name from “Modern Media” to “Meta Media” 2022. The Group has been actively expanding its presence in the metaverse ecosystem, and has successively created China’s first Meta ZiWU, and China’s first metaverse city, Yuanbang, with the aesthetic style of Cyber Yuppies.

This is the first time that a China’s magazine media group has advanced into the times of metaverse, and it also foreshadows the next revolution in consumption hotspots and revenue models. Mr. Shao Zhong (“Mr. Shao”), the founder of Meta Media Group, said, “the future media form will be characterised by hyperdimensionality, and will transform from the current reality-oriented form to a virtual reality-oriented hypermedia form”.

The Group has been continuously taking actions towards this development, and has partnered with Beijing Baidu Netcom Science Technology Co., Ltd.* (北京百度網訊科技有限公司) to jointly build Meta City "Yuanbang". Both parties are leveraging their respective strengths to establish industry benchmark cases and create commercial application templates in their respective fields of expertise. On the one hand, starting from the fields of architecture, design, art and other areas, the construction and operation planning of Meta City is designed and completed. On the other hand, Beijing Baidu Netcom Science Technology Co., Ltd. provides the virtual space of the metaverse platform and corresponding technical services to Meta Media Group.

At "Yuanbang", the continuous ideological summits, art scenes and new species of the metaverse are becoming new landmarks for metaverse. Mr. Shao summarized, "Meta City integrates art into life, uses technology to reconstruct society, frees itself from the constraints of the real world, and then builds an international, fashionable, high-grade, social-centered city that satisfies both body and mind. This is also our mission."

In 2023, the Group and ERNIE Bot developed by Baidu Group reached an ecological partnership, becoming the first batch of product users. Through this cooperation, Meta Media Group will be given the priority to gaining the support of leading AI technologies, integrating the technical capabilities of ERNIE Bot, and deepening cooperation with Baidu Group in multiple fields such as product development and standard formulation, to create artificial intelligence solutions and services for users with full-scene virtual and real interaction. At the same time, relying on intelligent interconnection and innovative interconnection, the Group will lead the transformation and upgrading of the fashion and art industry.

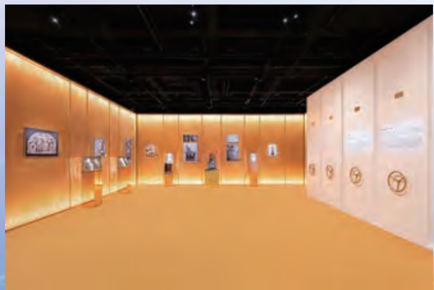
## 2. ART PLATFORM – LEADING THE SPIRIT OF THE ERA

The art platform of Meta Media Group consists of multiple dimensions, including art marketing, print publishing and space magazine. Through a wide range of art resources, art and high-end lifestyle content production, leading-edge creativity is incorporated into products that are popular with readers, users, art lovers and premium customers.

### Art Marketing

As one of the first batch of media groups to introduce world-class art magazines and curate art exhibitions in China, Meta Media Group has been deeply involved in this field for over a decade. For example, in 2010, we published the new international edition of "LEAP"; in 2013, we co-founded "Art Newspaper/Chinese Edition" and the daily updated digital version of "iArt"; in 2014, we co-founded "PHOTOFAIRS | Shanghai"; in 2018, we co-founded THE CULTIVIST with The Cultivis, an international art club; established a strategic partnership with the world-renowned art and design museum, Victoria & Albert Museum; in 2019, further acquired a majority of shareholdings of "ArtReview" and "ArtReview Asia", which are international authoritative platforms with over 70 years of history. By the end of 2022, the Group launched ArtReview China.

As Chinese consumers' income rises, consumer demands become more diversified, in particular, there is a strong growth of spiritual and experiential consumer demand for culture and art, the Group believes that the art platform sector will continue to be an indispensable source of revenue and a profit center in the future.



# 藝術平台 - 平面出版
## ART PLATFORM - PRINT PUBLISHING











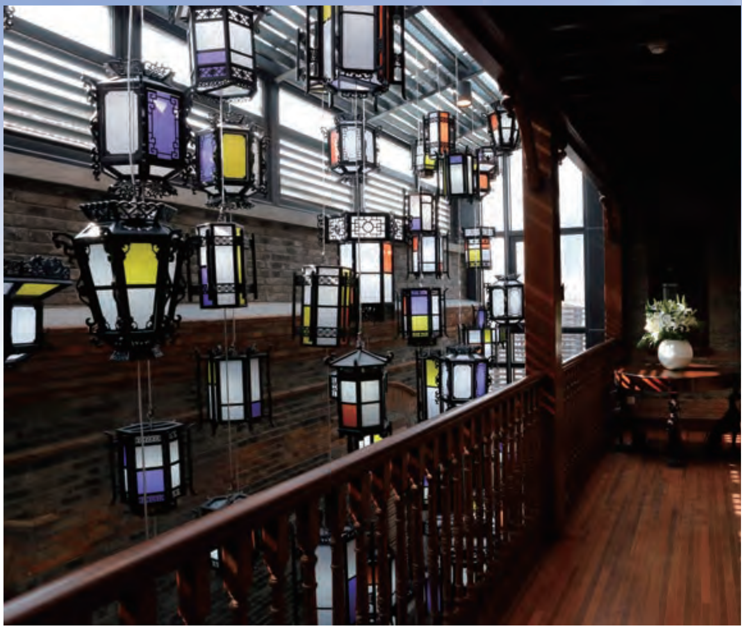

## Print Publishing

Over the years, Meta Media Group has cooperated extensively with the most influential international communication agencies, such as co-publishing "Bloomberg Businessweek" (Traditional Chinese edition), "INSTYLE", "IDEAT", "NUMÉRO" and other magazines. At the same time, we have established more than 10 original magazines in mainland China and Hong Kong, including "iWeekly", "Life Magazine", "City Magazine", "LOHAS", "Arbiter", etc., inheriting the spirit of "Aspiration Expression (言志)", leading and reflecting the needs of the times everywhere, and becoming the spiritual enlightenment and life vane of generations.

The flagship magazine "iWeekly" kept its rank as no. 1 in the weekly market revenue list, maintaining an irreplaceable position in the minds of print media brand advertisers. "Bloomberg Businessweek" (Traditional Chinese edition) has always demonstrated its authoritative influence by holding a number of financial market events and forums.

"INSTYLE" continues to be one of the most popular women's magazines in the Chinese mainland market and a popular choice for luxury brand advertisers. The elite women's club "You Jia Hui" under it has held a series of activities in various cities in China and is more popular among elite women and the club membership fees also bring stable income to the Group.

Meta Media Group is no longer as simple as a leading traditional media company, nor is it a company that just follows the trend to transform from traditional magazines to digital media, but a company that regards magazines as an expression of cultural aspirations and aims to communicate with, align, connect to and reshape the international culture.

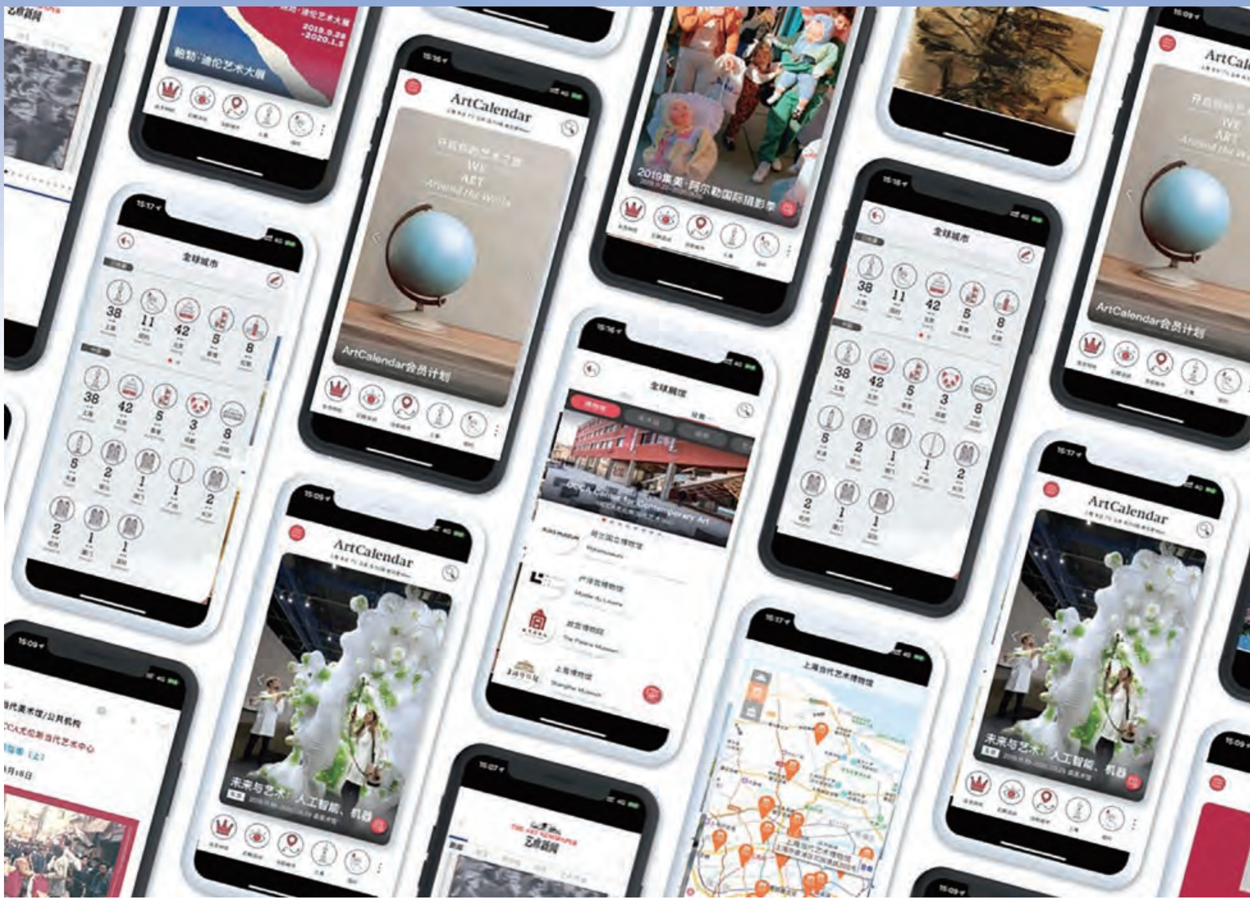



## Space Magazine

Facing the future, Meta Media Group has already jumped out of the traditional paper and digital media framework, and created a new form of "space magazine", which includes ZiWU, Modern Art Base, Modern Studio, Modern Workshop, Modern Art Kitchen and various three-dimensional space locations and event landmarks, forming a three-dimensional matrix.

Through continuing to introduce high-quality themed exhibitions and events on art, design, fashion, music, etc., ZiWU, which has been established for more than three years, has become one of the most frequent gathering place for elites from all walks of life with the positioning of "a new paradise for urban culture omnivores", attracting a great number of visitors including designers, artists, cultural figures, film and television stars and senior executives, and holding a number of appealing exhibitions, including exhibitions of new works by masters such as Chen Danqing and Zhang Huan.

In 2021, following the past and opening up the future, two ZiWU have been added in Beijing and Shanghai North Bund. Among them, the "Metaverse ZiWU" in the North Bund is regarded as a model of the balance between preservation of history and contemporary innovation.




## 3. DIGITAL PLATFORM – TECHNOLOGICAL PIONEER INNOVATION

With regard to digital platform, iWeekly APP has become a major competitive force with its constantly upgraded layout and rich global content. As at the end of the year ended 31 December 2022 (the "Year"), the number of its users on the terminals of smartphones and tablet PC has reached 15 million. In order to increase the number of readers' browsing and usage frequency of the application, iWeekly also specially added the "daily news radio broadcast" function.

As a comprehensive information platform for elite ladies, the INSTYLE iLady APP has accumulated more than 7.2 million users by the end of 2022, and become the main source of income for the Group's digital platform business, mainly due to the high conversion rate generated by the "Ready-to-Buy" omnibus-directional experience provided by the platform for users, which effectively attracts traffic to certain advertisers' shopping platforms or their official websites.

The number of users of the "Bloomberg Businessweek" (Traditional Chinese edition) APP has also expanded to approximately 12.2 million by the end of 2022, and paid content is an important growth point for revenue.

The "NOWNESS" video platform attracts more and more users to subscribe with creative and high-quality content, thus building a customer base covering high-end brand advertisers. In order to enhance the business value of the brand, the Group plans to develop a series of extended businesses, including setting up brand experience stores, developing derivative products, setting up theme restaurants and video related courses, at the same time, we add the function of buying now on the website and gradually launch e-commerce service.

* *English translation or transliteration of Chinese name for identification purpose only*

# CHAIRMAN'S STATEMENT

創辦人，董事會聯席主席兼
行政總裁
邵忠

**Shao Zhong**
Founder, Co-Chairman of the
Board & Chief Executive Officer

# MESSAGE FROM THE CO-CHAIRMAN AND FOUNDER OF THE COMPANY

**Shao Zhong: New Growth Formula for Meta Media**
**– Reconstructing Business Future with Art and Technology**

Meta Media aims to become a world's leading content empowerment company. We create a new form of content empowerment through content modeling, scene modeling and protocol licensing.

We are in the era of media revolution, imagining and creating another possibility – seeking an ideal relationship model among culture, art, society and business, and communicating and exchanging with readers in a way that keeps pace with the times, with creative content at the core. In the future, we will cooperate with different teams to forge a new and more international path in the digital space of fashion, brand, design, and creative industries in China, the Asia-Pacific region, and even globally.

There are four meanings of hypermedia. The first is hyper-advanced (concept) media, the second is hyper (content) media, the third is hyper-boundary (medium), and the fourth is hyper-verified (experience) media, which is a hypermedia generated by Professional Generated Content (PGC), User Generated Content (UGC) and Artificial Intelligence Generated Content (AIGC).

Today's era is a new business era and also an era of creator economy. We must communicate with them in the language and narrative style of young creative people.

We will build our own value portfolio. Meta Media Group has a portfolio, and each different platform should also have a portfolio to empower customers with more options.

We need to think not only about content innovation and product innovation, but more importantly, we need to think about business model innovation and platform value innovation.

We must use the thinking of hypermedia to do modern communication, which is in line with the concept of "Media is The Message" in the book "Understanding Media". We are not only creating the concept of the metaverse, but more importantly, we are advancing with the times, from creating "message" to creating "media". Our mission, vision and genes have never changed, but the forms of media have always been updated and upgraded.

Every enterprise has its own alchemy and ladder of growth. There are three levels of enterprise growth: level one, continuing and consolidating core business; level two, building new business; level three, creating future business opportunities.

Those who are brave win, and those who are optimistic succeed. We must firmly believe that today's efforts will surely yield great results in the future. Only with inner courage and firmness can we go far. As futurist and author of "Megatrends" John Naisbitt said, exciting breakthroughs will not come from technology, but from a broader understanding of the "meaning of being human".

Entrepreneurial decision-making is not about solving problems under established constraints, but about changing the constraints themselves. Many people choose to become entrepreneurs because entrepreneurship is a creative enjoyment. Entrepreneurs work in an environment full of uncertainties, and everything around them is always full of challenges. For people who enjoy creative work, these challenges are themselves a kind of reward. Every time a difficulty is solved, it is like winning a victory!

The business philosophy of an enterprise determines its products, services, attitudes, quality and corporate culture.

We are a company that creates more knowledge than wealth. Our mission and goal this year are to increase volume, revenue and value, which is the guarantee of our success.

The world has entered a new era of metaverse and artificial intelligence, which is the "fourth wave" of human civilization development after the information revolution, and a new period of creator economy. The development of the media industry has also ushered in a new historical opportunity.

Meta Media has a global vision, philosophy and foresight, understands the operating rules of internationalization, and has a charismatic corporate culture. We have made unremitting efforts for our beliefs for 30 years, and have gained high reputation and admiration from media professionals in the Chinese magazine industry. Through the acquisition of NOWNESS and "ArtReview", we have carried out an international strategic layout, and established a strong ecosystem and extensive partnership relationships internationally.

Whether or not self-actualization has truly replaced life itself or material wealth as the basic motivation of human beings, the result of living in a post-materialism society is that more and more people value inherent creative opportunities over money-making abilities.

All good results are designed, and every strategic decision made by leaders is related to the life or death of an enterprise. The higher the cognition, the larger the enterprise. Otherwise, the hierarchy of an enterprise will only oscillate within the boss's cognitive space.

Entrepreneurs are born because of the market and grow up in the market. Driven by the market, the Company keeps creating dreams and also learns to respect and be humble. Various reasons drive different companies to compete globally, but no matter where they are, only by creating values that are more in line with human ideals of living can we win the future.

We need to use new concepts to build a new pattern, and use Meta Media's hypermedia thinking to create a new future.

**Shao Zhong**
Co-Chairman
27 March 2023

# COMPANY NEWS

Founder, Co-Chairman & Chief Executive Officer Mr. Shao Zhong and British Princess Ms. Kate Middleton visit the Modern Media Gallery

## Opening of the V&A Photography Center donated by Meta Media Group and the Shao Foundation

The new photography centre of the Victoria and Albert Museum (V&A) was officially opened to the public, and the existing exhibition space was doubled. The Modern Media Gallery will be included in the new collection of galleries, which will become a “window” of “cultural studies” around the development of media. Martin Barnes, a senior curator of the museum’s photography department, said, “this is why we call it a photography center.” In October 2018, the photography center was unveiled by Kate Middleton, the Duchess of Cambridge and also the patron of the museum. This opening marks the completion of the first phase of the £3 million project, which was jointly supported by Meta Media Group, the Shao Foundation and the Bern Schwartz Family Foundation.

# SOCIAL RESPONSIBILITY AND COMMON GOOD OF THE ENTERPRISE


Internationalization, refined taste, style and social responsibility are the DNA that Meta Media Group has adhered to for many years. While achieving successful commercial and creative development, the Group has always been committed to social public welfare and contributed to the common good of society. 15 years ago, the Group was already involved in special education, and was the first to assist in building a “Modern Media Special Education School” in Songzi County, Hubei Province, which won numerous government awards and honors in China. Moreover, the Group established the “Modern Media Special Education Foundation” as a charity organization to expand the support and development for special education. The social responsibility has always been the DNA of Meta Media Group, in which, the Group hopes to make more efforts and contributions in the future.

To this end, in order to give back to society and support the development of special education, the first “Shao Zhong Special Education Fund Award” ceremony was held in September 2021 at the Modern Media Special Education School in Songzi, recognising talents who have made outstanding contributions to special education.

Regarding the original intention of establishing the Shao Zhong Special Education Fund Award, Mr. Shao Zhong stated that “through many years of public welfare activities, I have felt the hardship and greatness of special education. In order to draw more attention to special education, enhance the attraction of special education and strengthen the sense of success of special educators, I set up the “Zhong Special Education Fund Award.” With love and spreading true feelings, the Group let the light of hope to shine on special groups that are often overlooked, and using the best care to awaken special children’s longing for the future.

Against this background, in addition to being awarded the "Golden Pine Education Award" by the Songzi Municipal Committee and the municipal government of Hubei Province in September 2020 to recognise his contributions in the field of education, Mr. Shao was also appointed as the honorary principal of the Modern Media Special Education School in Songzi in 2021.

He remarked out of personal feeling, "as an entrepreneur, I always believe that the goal of a company is not just to make money, but to contribute to society in a corporate way. The essence of business is to express goodwill to society in a market-oriented way, in order to continuously improve the well-being of the people and promote the comprehensive development of humanity."

In addition, in August 2008, Mr. Shao also founded "Shao Zhong Art Development Foundation", a non-profit making organization, which is dedicated to the incubation, development and dissemination of modern art. Since its establishment, it has supported and participated in a number of art-related public welfare projects, and will continue to promote the diversified development of modern art.

Shao Foundation's ART HOUSE, located in Meilin Lake, Huadu, Guangzhou, regularly holds invitational exhibitions for artists and collectors. Since its opening, it has hosted several important domestic and international exhibitions, such as "China Dream, Thirty Years: A Major Solo Exhibition of the Photography of Liu Heung Shing", "Two Projects by Liu Xiaodong", "From Callahan to Jeff Koons: Collection from Charles Jin" and Yang Jiecang's solo exhibition "Mustard Seed Garden – Meilin Lake". Its sense of responsibility to the world and society is in line with the mission of Meta Media Group.

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Shao Zhong *(Co-Chairman of the Board, re-designated from the Chairman of the Board on 16 February 2023, and Chief Executive Officer)*
Ms. Yang Ying
Mr. Li Jian
Mr. Deroche Alain, Jean-Marie, Jacques

### Non-executive Director

Dr. Cheng Chi Kong, Adrian *(Co-Chairman of the Board, appointed on 16 February 2023)*

### Independent Non-executive Directors

Ms. Wei Wei
Mr. Wan Jie
Mr. Yick Wing Fat Simon

## AUDIT COMMITTEE

Mr. Yick Wing Fat Simon *(Chairman)*
Ms. Wei Wei
Mr. Wan Jie

## REMUNERATION COMMITTEE

Mr. Yick Wing Fat Simon *(Chairman)*
Ms. Wei Wei
Mr. Wan Jie

## NOMINATION COMMITTEE

Ms. Wei Wei *(Chairman)*
Mr. Wan Jie
Mr. Yick Wing Fat Simon

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Shao Zhong *(Chairman)*
Mr. Wan Jie
Ms. Zhong Yuanhong

## COMPANY SECRETARY

Ms. Chan Sze Ting *(ACG, HKACG)*

## AUTHORISED REPRESENTATIVES

Mr. Shao Zhong
Ms. Chan Sze Ting

## AUDITORS

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
23/F, Tower 2, Enterprise Square Five
38 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong

## LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central, Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

Units 213
2/F, Block 2, Exhibition Centre
No. 1 Software Park Road, Zhuhai City
Guangdong Province, the PRC

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7/F, Global Trade Square
No. 21 Wong Chuk Hang Road
Aberdeen, Hong Kong

## PRINCIPAL BANKERS IN HONG KONG

Bank of China (HK) Limited
Wing Lung Bank Limited

# Corporate Information *(continued)*

## PRINCIPAL BANKERS IN THE PRC

China Merchants Bank
(Shanghai Branch, Xujiahui Sub-branch)
Industrial Bank Co., Limited
(Guangzhou Branch, Haizhu Sub-branch)
China MinSheng Banking Corporation
(Beijing Guangan Men Sub-branch)

## REGISTERED OFFICE

Tricor Services (Cayman Islands) Limited
Third Floor, Century Yard, Cricket Square
P.O. Box 902
Grand Cayman, KY1–1103 Cayman Islands
(effective from 1 October 2022)

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
Third Floor, Century Yard, Cricket Square
P.O. Box 902
Grand Cayman, KY1–1103 Cayman Islands
(effective from 1 October 2022)

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
(effective from 15 August 2022)

## STOCK CODE

72

## WEBSITE

www.metamediahldg.com

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS SUMMARY

The results of each segment of the Group for the Year are as follows:

| | Art platform<br>*RMB'000* | Digital platform<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|
| **2022** | | | |
| Revenue from reportable segment | 215,866 | 157,162 | 373,028 |
| (Loss)/profit for reportable segment | (77,751) | 12,692 | (65,059) |
| Segment EBITDA | (42,439) | 32,134 | (10,305) |
| **2021** | | | |
| Revenue from reportable segment | 255,265 | 167,543 | 422,808 |
| (Loss)/profit for reportable segment | (29,393) | 34,992 | 5,599 |
| Segment EBITDA | 2,904 | 50,261 | 53,165 |

A new wave of COVID-19 pandemic broke out in China during 2022 which caused serious impact to the economic development, and also affected the Group's clients, including but not limited to, budget cuts of certain clients of the Group and certain business conferences, exhibitions and offline events of certain clients of the Group originally scheduled to be held in 2022 were postponed to 2023. As a result, revenue for the Year decreased by approximately 12% to approximately RMB373,028,000 (2021: RMB422,808,000) as compared to 2021. The Group recorded a loss of approximately RMB72,233,000 for the Year (2021: profit of RMB4,374,000).

In the early 2022, the English name of the Company was changed from "Modern Media Holdings Limited" to "Meta Media Holdings Limited" and the Chinese name of the Company was changed from "現代傳播控股有限公司" to "超媒體控股有限公司". The new name "Meta Media" is a name with a great sense of future and a symbol of the spirit of the times, representing the Group's transformation from "Modern" to "Ultra Modern" and full entry into the field of metaverse and artificial intelligence chatbot.

## (A) BUSINESS REVIEW

Meta Media Group is always at the forefront of the times. After the success of print publication, digital platform, and art marketing, the Group formally changed its name from "Modern Media" to "Meta Media" in 2022. The Group has been actively expanding its presence in the metaverse ecosystem, and has successively created China's first Meta ZiWU, and China's first metaverse city, Yuanbang, with the aesthetic style of Cyber Yuppies.

In April 2022, the Group entered into an investment agreement with Beijing Baidu Biwei Enterprise Management Center (Limited Partnership)* (北京百度畢威企業管理中心(有限合夥)) (the "BV Baidu Ventures"), pursuant to which the parties agreed to jointly contribute RMB10 million to the registered capital of Zhuhai Yuanbang Technology Co., Ltd.* (珠海元邦科技有限公司) (the "JV Company", a subsidiary of the Company), and to jointly create "Yuanbang" Meta City, construct a city of consensus, sharing and empathy, create a new metropolitan structure, and seek a paradigm to achieve the "perfect combination of technology and humanity" for the real society, so as to build an international spiritual ideal residence with style and refined taste. The capital injection and industrial and commercial registration process for the above transaction have been completed in July 2022. The Group and BV Baidu Ventures contributed 60% and 40% to its registered capital, respectively, and such registered capital will be the first seed incubation funds (種子孵化資金) for the JV Company to accelerate the development of metaverse. For further details, please refer to the announcement of the Company dated 26 April 2022. In the future cooperation planning, the Group will introduce a number of partners from various specific fields (including architecture, design, fashion, culture, art, etc.), and the JV Company will design and complete the construction and operation planning of Meta City.

Meta ZiWU, as the first practice of the above cooperation, adheres to the goal of "high concept, high life and high technology" and is committed to building a utopian ideal home, integrating art into life, reconstructing society with science and technology, getting rid of the shackles of the real world and creating a new world outlook. As the fourth humanity ecological community of the Group, Meta ZiWU witnessed the development path of the Group from print magazine to mobile magazine, from space magazine to metaverse magazine. Thereafter, ZiWU will become a multi-dimensional hypermedia covering both offline physical space and online metaverse space. The online Meta ZiWU will lead viewers into an intellectual field co-created by artificial intelligence and human beings in the form of an immersive virtual space.

The Meta ZiWU virtual building was inaugurated with the presentation of the first metaverse exhibition, "Post-Sinofuturism", which revived the video essay "Post-Sinofuturism (1839–2046AD)" created and completed by artist, Lawrence Lek, in 2016 in a local context, and re-examined the act of remembering inherited from "manifesto", "programming", "replication" and "game" in the metaverse for Chinese audience. At the same time, an artist, Chen Yujun, was specifically invited to support this exhibition with his selected work, "The Endogenous Scenery", displayed in his physical exhibition in ZiWU Beijing. When the deconstruction and reconstruction of the landscape take place in the metaverse in a virtual form, the reflection on the ecological conditions, cultural environment and social trends of human beings in the present are also escalated simultaneously. As we search for answers between nomadism and exile, we should have realised that tracing our own natural and humanistic genes is the start of awakening our mission to embrace a wider universe.

On 28 April 2022, the Group and Dior collaborated to create a new metaverse exhibition – "ON THE ROAD" – at the Meta ZiWU. The exhibition aims to create an interactive experience that is unprecedented for the young generation, based on the spirit of Dior Men's Fall 2022 Collection and with the cutting-edge metaverse technology, to witness the unrestrained fashion attitude and the creativity towards the future.

# MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

In July 2022, the "Shallow-Chen Danqing Prints" organised by Meta ZiWU was officially launched for the first time at the Meta ZiWU auction. It was the first auction of Chen Danqing's prints in the metaverse. There were more than 120,000 people entered the showroom with more than 100 bids. Six prints were sold with a transaction rate of 100%.

On 20 July 2022, Guangzhou Arbitration Commission and the Group entered into an agreement to cooperate on building the Meta City Yuanbang Arbitration Commission. The first metaverse arbitration commission in the world entered Meta City to achieve integration of "internet + law", to actively explore building the first virtual arbitration tribunal and virtual arbitration secretary, to promote virtual legislation at appropriate time, in order to help purify the internet space and ensure network safety. This would necessarily promote digital transformation and upgrade of arbitration service, and provide more and better legal protection in the virtual world.

At the end of July 2022, Lawrence Lek's "Post-Sinofuturism" metaverse mirror exhibition officially started at ZiWU Shanghai ZiWU the Bund. It continued the first specially invited exhibition in April 2022 and was the first artist exhibition held parallelly in metaverse and physical space in China. This represents the change in the exhibition mode in the post-tech era and explores the unlimited directions of creations of artists when building the virtual world.

In August 2022, Prada fall/winter 2022 menswear and womenswear fashion show metaverse live was held at Meta ZiWU with approximately 200,000 people entering the showroom. This first metaverse fashion show jointly held by Meta ZiWU and Prada brought the integration experience of reality and virtual space and created a moment of milestone in the fashion industry.

In August 2022, six signed prints with the authorization of Ding Yi were presented at Meta ZiWU auction showroom. Through the auction system jointly developed by the Group and Baidu XiRang, users can experience a complete art viewing and auction scene in the metaverse. In September 2022, another special auction was held for six signed prints by Tan Ping at Meta ZiWU. There were more than 2,000,000 people entered these two auction showrooms, with more than 400 bids for the prints. All prints were sold with a transaction rate of 100%.

In November 2022, the "First Standard Chartered China Metaverse ESG Forum", hosted by Standard Chartered China in collaboration with Business Weekly/Chinese Edition and supported by Baidu XiRang, was held at Meta ZiWU. During the forum, more than 350,000 users entered "Meta ZiWU" via Baidu XiRang to watch, and more than 1.02 million people watched the live of such event online. This forum is the first environmental, social and governance ("ESG") green forum in Baidu XiRang's metaverse. As a result, for the first time, we have the opportunity to explore ESG in the metaverse and build a blueprint for sustainable development with more diversified and profound thinking methods.

On 20 December 2022, Yuanbang APP was officially launched online. Yuanbang APP is a metaverse city virtual reality interactive platform jointly established by the Company, Baidu XiRang and BV Baidu Ventures. As China's first metaverse city with a feature of Cyber Yuppies, Yuanbang is a truly surreal virtual city that deeply integrates art, culture, design, fashion, and technology. It is an immersive digital paradise that integrates idealism, futurism, and romanticism. It is also the ultimate metaverse experience that will land in physical space and achieve virtual reality interaction. It is China's first futuristic, international, fashionable, high-grade and society-centered metaverse city. At "Yuanbang", the continuous ideological summits, art scenes and new species of the metaverse are becoming new landmarks for metaverse. Entering Yuanbang means "joining the digital new life". As described by Mr. Shao, the founder and core concept architect of Yuanbang, "this is a land of fantasy and ideals, connecting the future with classics, and a place that can provide a new contemporary art experience."

In December 2022, Yuanbang Meta City APP, presented the first metaverse concert, a brand new mirage that brought participants unparalleled epic experience. Artist Lv Sisi was the visual consultant for the current session of NOWNESS Short Film Talent Awards, building a complete visual system with a theme of linking to the future with image. Among them, the online parallel exhibition linked to Yuanbang in the future imaging unit of the NOWNESS Short Film Talent Awards will also crisscross the virtual and the real, replicating the scene of the metaverse at the NOWNESS Short Film Talent Awards, allowing the audiences to immerse themselves.

In December 2022, the Group held the first Metaverse Art Exhibition – Polytopia in China's first Meta City Yuanbang with the aesthetic style of Cyber Yuppies. "The Year Ahead 2023 Summit" organised by Business Weekly/Chinese Edition was also live on metaverse.

The Group's operational experience in traditional paper media and electronic media in the digital era, artists, and high-quality brand resources provide the Group with unique values and aesthetic values, which will provide a more diversified content application scenario and spatial operation paradigm for the Yuanbang Meta City APP, and will gradually become an indispensable revenue source and profit center for the Group in the future.

### Art platform

With continuous development and upgrade of modern consumption, the spiritual and material pursuits of consumer groups have continuously diversified. While traditional media focuses on the digital channels, the Group has walked out of the traditional paper and digital media framework to eye on the development of the art platform. Through the use of art marketing, along with the combination of brand and art, the Group locates the contact points between brands and high-end consumers, and at the same time enhances the brand's taste and spiritual values, cultivates potential consumers and improves the competitiveness of enterprises. A review on the Group's development path in the art platform sector shows no signs of stopping.

The Company has continuously released POWER 100, which is the authoritative ranking of the most influential people in the international contemporary art world published by the London-based magazine ArtReview. The list is determined by ArtReview together with a 20-member committee comprises writers, artists, curators, and critics. They select information and make decisions from global media, including the BBC, Figaro, Die Welt, Guardian, The Times, Financial Times, Wall Street Journal, Los Angeles Times, Moscow Times and Art News, as well as art and cultural blogs around the world.

The Group has established strategic cooperation with the Arles International Photography Festival (which is known as the "Oscar" in the international photography industry, the top cultural IP in France, and the world's largest, oldest, and most influential international photography festival) for many years. The original project of the Arles International Photography Festival was held at PHOTOFAIRS Shanghai, making world art closer to China.

In addition, in order to enhance its influence in the Asian art market and meet the artistic needs of high-profile consumer groups in the Asian region, the Group has focused on promoting the development of ArtReview in the Asian region. The Group has formed a team of ArtReview China and the first issue of ArtReview China was published at the end of 2022. At the same time, ArtReview Singapore Branch was established to promote its development in Southeast Asia.

### Digital platform

Among all business lines of the digital platform, the best performing one is the App of "Nowness", the world's leading platform for creative lifestyle short videos. During the period from 1 January to 31 December 2022, the revenue of "NOWNESS" increased by 59% as compared with that of 2021.

"NOWNESS" has become a place for inspiration and influence with its unique programme planning. Its contents cover art, design, fashion, beauty, music, food and travel. As at the end of the Year, the cumulative number of downloads was approximately 5,100,000. As a platform for the development of short films in the global arena and the ongoing discovery of new directors, "NOWNESS" has long been an important innovation base for young artists. Since 2019, four sessions of NOWNESS Short Film Talent Awards have been successfully held. This programme aims to discover outstanding Chinese new-generation filmmakers, stimulate their creativity, and display their video works with international platform resources. The Group has discovered a group of creative and talented young film creators and created a series of short videos with the characteristics of the times. They are like flames, expressing different ideas of this era, and redefining the perception of this era. With the development of short video in Asia, the Group has established the NOWNESS Asia Pacific branch in Singapore in 2022 to quickly seize the lead and further explore the Asian market.

From "iWeekly" (which has more than 15,000,000 users), to "INSTYLE iLady" (with growing advertising revenue), to "Bloomberg Businessweek" (one of the best domestic Apps), to "NOWNESS" (the global short film website platform which wins the favour of global luxury brands with creativity and quality). The Group has forged a diversified and multidimensional digital matrix. We are confident that the digital business will further generate considerable revenue in the future and achieve significant business growth.

## (B) BUSINESS OUTLOOK

The metaverse is a "large scale, interoperable scene network consisting of real-time rendered 3D virtual world" that will reshape the future of business. In the future, it is expected that the metaverse economy may account for 30% of the digital economy.

Metaverse+, 5 new models for reshaping the future of business are as follows:

I. Metaverse + Education, from virtual to on-site learning scenes

II. Metaverse + Life, a comprehensive subversion of our lifestyle

III. Metaverse + Entertainment, virtual production allows us to imagine and experience entertainment in a new way

IV. Metaverse + Advertising, a blue ocean opportunity of seizing new growth

V. Metaverse + Industry, to open up the future of intelligent manufacturing

The best way to predict the future is by achieving our goals. No matter how the metaverse arrives, it will only be of real value if it makes people's real life better.

With the official launch of the pioneering Yuanbang Meta City App at the end of 2022, this is a new milestone for Baidu XiRang and the Group after the creation of Meta ZiWU. At "Yuanbang", the continuous ideological summits, art scenes and new species of the metaverse are becoming new landmark scenes for metaverse. Entering Yuanbang means "joining the digital new life." As described by Mr. Shao, the founder and core concept architect of Yuanbang, "this is a land of fantasy and ideals, connecting the future with classics, and a place that can provide a new contemporary art experience."

Creativity and content production are undoubtedly the core competitiveness of Yuanbang. Yuanbang will create a metaverse spirit field full of art, culture and fashion genes, attract creators from the fields of art, design and creativity, and vigorously support the creator economy, jointly present cool art exhibition, fashion show, exciting concert, and the most popular expositions.

In terms of education and ideological dissemination, Yuanbang will greatly stimulate the storage and production of knowledge systems, and establish a complete set of metaverse teaching systems such as metaverse universities, professional colleges, museums, and libraries. Various forums and seminars will be held regularly at Yuanbang to stimulate various ideas and cultures, ignite the flame of knowledge transmission, turn knowledge into economy, and make innovation into productivity.

Yuanbang proposed the six cultivations (6S) of metaverse talents: studying ability (Study), professional skills (Skill), personality style (Style), professional spirit (Spirit), master soul (Soul), and share and donation (Share). Yuanbang hopes to establish a big family with a sharing spirit, which is highly inclusive and represents the trend and the spirit of the new era. The metaverse no longer stays in the imaginative space of science fiction movies and novels, instead, it actually enters our real life. This is the beginning of a new era, a digital twin era full of fantasy and rapid iteration.

In January 2023, Porsche held the first official press conference of the "911 Dreamer" digital collection in Shanghai, launching the first series of digital collections customized for Chinese users. At the same time, a special online live streaming activity was launched online on Yuanbang Meta City App.

In February 2023, the Group reached an ecological partnership, becoming one of the first testers of ERNIE Bot, which is developed by Baidu Group. This move marks the first landing of conversational-style language model technology in the scene of Yuanbang, China's first futuristic, international, fashionable, high-grade and society-centered metaverse city, jointly built by the Group, Baidu XiRang, and BV Baidu Ventures.

Through this cooperation, the Group will give priority to gaining the support of leading AI technologies, integrating the technical capabilities of ERNIE Bot, and deepening cooperation with Baidu in multiple fields such as product development and standard formulation, to create artificial intelligence solutions and services for users with full-scene virtual and real interaction. At the same time, relying on intelligent interconnection and innovative interconnection, the Group will lead the transformation and upgrading of the fashion and art industry.

In order to better meet the general trend of the development of the brand new metaverse and artificial intelligence chatbot, on 16 February 2023, Dr. Cheng Chi Kong, Adrian ("Dr. Cheng"), the chief executive officer of New World Development Company Limited, and the founder of K11 brand, was appointed as the Co-Chairman of the Board and the non-executive Director. For further details, please refer to the announcement of the Company dated 16 February 2023. Together with Dr. Cheng's keen insight into the integration of cultural business and digital technology, the Group will drive content business, leading the Group to better embrace the new digital development cycle. Dr. Cheng is also the honorary vice chairman and chief strategic adviser of the Group.

Both Dr. Cheng and Mr. Shao share the same vision and are focusing on creative content, seeking an ideal relationship model among culture, art, and social commerce, and engaging in dialogue and communication with readers in a way that keeps pace with the times. In the future, they will work with teams to open up a new and more international path in the digital space of fashion, brand, design, and creative industries in China, the Asia Pacific region, and (to the extent possible) across the globe.

We believe Dr. Cheng, who was appointed as the Chairman of the Mega Arts and Cultural Events Committee by the Culture, Sports and Tourism Bureau of the Hong Kong Special Administrative Region Government earlier this year, will bring rich global resources and operation and management experience to the Group, and build a scenario theory that breaks through the imagination space for the construction of a better life in the digital era.

“NOWNESS” also has great development potential for the Group and is a very important development strategy. It has formed a global strategic layout since its establishment four years ago.

In 2023, the Group will continue to promote the development of “Nowness” in Europe, the United States, and other regions in Asia. The Group has planned to allocate more resources to strengthen the brand’s influence and achieve orderly growth. The Group expects that the performance of the digital platform sector will continue to generate ideal growths in 2023 and the coming years.

In March 2023, the Art Basel HK, which featured premier galleries from Asia and beyond was held in Hong Kong. The Group took steps to approach and connect with the Hong Kong galleries during this international art season. The Group aims to create one of the most authoritative international art hypermedia platform in China by holding gallery exhibitions to further link the Group’s art resources.

The Group is no longer satisfied with only reporting China’s contemporary times in the Chinese world. Rather, the Group will widen its horizon to the international contemporary society. After the COVID-19 pandemic in Europe, the art world was rebuilt with various art activities and exhibitions. Taking this opportunity, the Group has despatched the Company’s Chief Operating Officer to be based in Paris to create new distribution channels, actively explore the European market, and further increase the influence of “ArtReview”, “NOWNESS” and other products of the Group in the European region.

In order to better integrate art and technology, the Group integrated resources such as ArtReview, the world’s most historical and influential art review magazine, Power 100, and ArtReview Asia, the only Asian contemporary art review magazine, to create the most international contemporary art media platform MMArt+ in China. Through MMArt+ and the online and offline new scene art space ZiWU, which integrates art, fashion, and culture, the Group has established long-term and good cooperative relationships with the world’s important art galleries, art institutions, and art fairs, and has become a sponsor of the V&A Museum Photography Center, which has been named with Meta Media Gallery. Artketing, a platform under MMArt+, relies on the rich media resources of the Group’s platform to become a platform for interaction between enterprises and society through culture and art, empowering the brands through art and creativity.

Looking ahead, the management of the Group believes that by further implementing the strategy of expanding the new media platform and innovating business models, taking the metaverse as the direction of transition from hypermedia to a new digital life platform will bring new opportunities and growth momentum to the Group. Aiming to become a world's leading content empowerment company, the Group will reshape the business future with art and technology. We believe that as a high-profile media group with a history of 30 years in China and one of the most influential, well-known and high-end media groups with a leading position in areas such as fashion, culture, art, commerce, and metaverse in the Chinese market, which is the world's second largest economy, we will always take the Company's core values of attitude, belief, ideas and vision as the driving force, always aim at high standards, quality, and efficiency, and create more brilliant achievements with passion.

### (C) FINAL DIVIDEND

To preserve more financial resources in response to the market stagnancy, the Directors do not recommend the payment of any final dividend for the Year (2021: Nil).

### (D) EVENTS SINCE 31 DECEMBER 2022 AND UP TO THE DATE OF THIS ANNUAL REPORT

Save as disclosed in this annual report, there has been no other important event affecting the Group since 31 December 2022 and up to the date of this annual report.

## LIQUIDITY AND FINANCIAL RESOURCES

### Net cash flows

During the Year, the Group recorded a net cash inflow in operating activities of approximately RMB22,539,000 (2021: outflow RMB5,239,000). The Group recorded a net cash outflow in investing activities of approximately RMB36,504,000 (2021: outflow RMB5,843,000). The net cash inflow of the Group from financing activities amounted to approximately RMB3,663,000 (2021: inflow RMB26,098,000).

### Borrowings and gearing ratio

As at 31 December 2022, the Group's outstanding borrowings was approximately RMB246,023,000 (2021: RMB210,362,000). The total borrowings comprised secured bank loans of approximately RMB175,017,000 (2021: RMB146,953,000), and lease liabilities of approximately RMB71,006,000 (2021: RMB63,409,000). The gearing ratio as at 31 December 2022 was 32.9% (2021: 26.7%), which was calculated based on the net debt divided by total capital at the end of the year and multiplied by 100%. Net debt is calculated as total borrowings less cash and cash equivalents and pledged bank deposits. Total borrowings include borrowings and lease liabilities. Total capital is calculated as "equity" as shown in the consolidated financial statements plus net debt.

## CAPITAL EXPENDITURE AND COMMITMENT

Capital expenditure of the Group for the Year included expenditure on maintenance of leased properties, and prepayments for property, plant and equipment and intangible assets of approximately RMB3,387,000 (2021: RMB6,553,000).

The Group had a capital commitment of purchasing of property, plant and equipment amounting to approximately RMB509,000 (2021: RMB1,401,000) as at 31 December 2022.

## CAPITAL STRUCTURE

During the Year, there has been no change in capital structure of the Company. The capital of the Company comprises ordinary shares and capital reserves. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings.

## CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Save for the corporate guarantee given to banks and the Group's major printing supplier to secure the banking facilities and printing credit line respectively, as at 31 December 2022 and 2021, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 31 December 2022, bank borrowings were secured by certain properties of the Group with aggregate carrying amount of approximately RMB128,835,000 (including in investment property of approximately RMB36,170,000 and property, plant and equipment of approximately RMB92,665,000) (2021: approximately RMB125,951,000 (including in investment property of approximately RMB37,700,000 and property, plant and equipment of approximately RMB88,251,000)) and/or is guaranteed by Mr. Shao/Mr. Shao's spouse/the Company/the subsidiaries of the Company. Bank borrowings were also secured by pledged bank deposits of approximately RMB50,000,000 (2021: RMB25,231,000) as at 31 December 2022.

## FOREIGN CURRENCY RISK

The Group mainly operates in the PRC, Hong Kong and the UK and majority of the transactions are denominated and settled in Renminbi ("RMB"), Hong Kong dollars ("HK$") or Great British Pounds ("GBP"), being the functional currency of the entities of the Group to which the transactions relate. Currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. As at 31 December 2022 and 2021, the Group did not have significant foreign currency risk from its operations.

## EMPLOYEES

As at 31 December 2022, the Group had a total of 420 employees (2021: 414 employees), total staff costs (including Directors' remuneration) recognised in profit or loss were approximately RMB96,827,000 (2021: RMB96,819,000). The emoluments of the Directors and senior management are reviewed by the remuneration committee of the Company.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's memorandum and articles of association or the laws in Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

# Corporate Governance Report

The Company is committed to ensuring high standards of corporate governance in the interests of the shareholders of the Company (the “Shareholders”) and devotes considerable efforts to identifying and formalising best practices.

## CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This report discloses how the Company has applied the principles of the CG Code for the Year.

Other than disclosed below in the paragraphs headed “Chairman and Chief Executive”, the Directors are of the opinion that the Company has compiled with the code provisions set out in the CG Code throughout the Year. The Group also adheres to the recommended best practices of the CG Code insofar as they are relevant and practicable.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the “Model Code”). The Company has made specific enquiries to all Directors and all Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions during the Year.

## THE BOARD OF DIRECTORS

The board of Directors of the Company (the “Board”) recognises its responsibility to act in the interests of the Company and its Shareholders as a whole. As at 31 December 2022, the Board has seven Directors: four executive Directors and three independent non-executive Directors. Independent non-executive Directors represent more than one-third of the Board.

During the year ended 31 December 2022 and up to the date of this report, the Directors are:

**Executive Directors:**
Mr. Shao Zhong *(Co-Chairman of the Board, re-designated from the Chairman of the Board on 16 February 2023, Chief Executive Officer and chairman of the Environmental, Social and Governance ("ESG") Committee)*
Ms. Yang Ying
Mr. Li Jian
Mr. Deroche Alain, Jean-Marie, Jacques

**Non-executive Director:**
Dr. Cheng Chi Kong, Adrian *(Co-Chairman of the Board, appointed on 16 February 2023)*

**Independent non-executive Directors:**
Mr. Yick Wing Fat Simon *(chairman of the Audit Committee and Remuneration Committee and member of the Nomination Committee)*
Ms. Wei Wei *(chairman of the Nomination Committee, members of the Audit Committee and Remuneration Committee)*
Mr. Wan Jie *(members of the Audit Committee, Remuneration Committee, Nomination Committee and ESG Committee)*

The biographies of all the Directors, including their relationships (if any), are set out on pages 70 to 74 of this annual report. Mr. Shao is the Co-Chairman of the Board and the Chief Executive Officer of the Group, who oversees the daily operation and management and has also actively involved in the Group's restructuring, business transformation, development of art business and other development of the Group's business. On 16 February 2023, Mr. Shao was re-designated from the Chairman to a Co-Chairman of the Board and Dr. Cheng was appointed as a Co-Chairman of the Board. They will jointly provide leadership to and oversee the management of the Board and focus even more on overall corporate strategies, policy-formulating, instilling corporate philosophy as well as strategic planning, development and expansion of the Group's new media businesses. Each Director brings a wide range and years of business experience to the Board. The Directors' combined knowledge, expertise and experience are extremely valuable in overseeing the Group's business. The Board sets the strategic direction and oversees the performance of the Group's business and management. The following key matters must be approved by the Board before decisions are made on behalf of the Company:

- Strategic direction
- Budgets
- Interim and annual financial results
- Interim and annual financial reports
- Significant investments
- Major acquisitions and disposals
- Major financings, borrowings and guarantees
- Material contracts
- Risk management

In addition, the Board discusses major operating issues, evaluates opportunities and business risks, and considers corporate communications and human resources issues. Decisions and conduct of matters other than those specifically reserved to the Board are delegated to management.

The Board will review the arrangements between the responsibilities of the Board and the matters delegated to management from time to time to ensure that they remain appropriate to the needs of the Group and its business.

## Board Proceedings

The Board holds regular meetings quarterly, and also meets at such other times as are necessary. Agenda of Board meetings are presented to the Directors for comments and approval and notices of regular Board meetings are sent at least 14 days before the meetings. The Board is provided with adequate, timely and reliable information about the Group's business and developments before each Board meeting at which the Directors actively participate and hold informed discussions. All Directors are asked to review and comment on the Board minutes within a reasonable time after the meetings to maintain accurate records of Board discussions and decisions. The number of Board meetings held and meetings attended by each of the Directors during the Year were as follows:

| Name of Director | Meetings attended | Meetings held during the term of office during 2022 |
|---|---|---|
| **Executive Directors:** | | |
| Mr. Shao Zhong | 5 | 5 |
| Ms. Yang Ying | 5 | 5 |
| Mr. Li Jian | 5 | 5 |
| Mr. Deroche Alain, Jean-Marie, Jacques | 5 | 5 |
| **Non-executive Director:** | | |
| Dr. Cheng Chi Kong, Adrian | N/A | N/A |
| **Independent non-executive Directors:** | | |
| Mr. Yick Wing Fat Simon | 5 | 5 |
| Ms. Wei Wei | 4 | 5 |
| Mr. Wan Jie | 4 | 5 |

Apart from the abovementioned Board meetings, the Chairman also held a meeting with the independent non-executive Directors without presence of executive Directors during the Year.

*Notes:*

1. On 3 December 2009, the Board resolved that, for transactions falling under Chapter 14 of the Listing Rules but with the amount involved less than HK$20 million and that all relevant percentage ratios not exceeding 5%, the same may be approved by any two executive Directors, provided that within 5 working days from the date of signing of the agreement(s) for the transaction, a copy of such agreement(s) must be circulated to all Directors (including independent non-executive Directors). Out of the above Board meetings held, none falls within such category of meeting.

2. Dr. Cheng Chi Kong, Adrian was appointed as a non-executive Director and a Co-Chairman of the Board on 16 February 2023.

3. An extraordinary general meeting was held on 14 January 2022. Mr. Shao Zhong, an executive Director, and Mr. Yick Wing Fat Simon, an independent non-executive Director, attended the said meeting.

4. The annual general meeting for year ended 31 December 2021 was held on 30 June 2022. Ms. Wei Wei, being an independent non-executive Director was unable to attend the said annual general meeting due to other business engagement. Save as disclosed above, other Directors attended the said annual general meeting.

All the Directors have access to the advice and services of the company secretary of the Company ("Company Secretary") to ensure all board procedures are followed. There are also written procedures for the Directors to obtain independent professional advice at the Company's expense.

## Appointment, Re-election and Removal of Directors

Each of our executive Directors has entered into a service contract with the Company for a term of three years. Furthermore, the Board confirms the term of appointment and functions of all independent non-executive Directors and Board committee members with formal letters of appointment. Each independent non-executive Director is appointed for an initial term of two years. Dr. Cheng Chi Kong, Adrian has been appointed as a non-executive Director for an initial term of three years from 16 February 2023 pursuant to the letter of appointment.

Directors who are appointed to fill vacancies are subject to re-election at the first annual general meeting of the Company after his or her appointment. In addition, every Director, including every independent non-executive Director, shall retire from office by rotation at least once every three years. One-third of the Directors are required to retire by rotation from office at every annual general meeting under the Company's articles of association (the "Articles"). A retiring Director is eligible for re-election.

## Induction and Continuing Development of Directors

The Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company. The training records of each Director for the Year were as follows:

| Name of Director | Perusing materials relevant to the Company's business or to their duties and responsibilities | Attending training courses on the topics related to corporate governance or regulations |
|---|---|---|
| **Executive Directors:** | | |
| Mr. Shao Zhong | ✔ | ✔ |
| Ms. Yang Ying | ✔ | ✔ |
| Mr. Li Jian | ✔ | ✔ |
| Mr. Deroche Alain, Jean-Marie, Jacques | ✔ | ✔ |
| **Non-executive Director:** | | |
| Dr. Cheng Chi Kong, Adrian | N/A | N/A |
| **Independent Non-executive Directors:** | | |
| Mr. Yick Wing Fat Simon | ✔ | ✔ |
| Ms. Wei Wei | ✔ | ✔ |
| Mr. Wan Jie | ✔ | ✔ |

*Note:* Dr. Cheng Chi Kong, Adrian was appointed as a non-executive Director and a Co-Chairman of the Board on 16 February 2023.

During the Year, all Directors received regular updates on the Group's business, operations, risk management and corporate governance matters. Materials on new or changes to salient laws and regulations applicable to the Group were provided to the Directors. They also attended regulatory update sessions and seminars on relevant topics. All Directors were requested to provide the Company with their respective training record pursuant to the CG Code.

## Remuneration of Directors and Senior Management

The Directors' fees and all other reimbursements and emoluments paid or payable to the Directors during the Year are set out, on an individual and named basis, in note 12 to the consolidated financial statements of this annual report on page 145. The remuneration policy of the Group is set out on page 66 of this annual report.

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors & Senior Management" in this annual report by band is set out below:

The emoluments fell within the following bands:

| | Number of individuals | |
|---|---|---|
| | 2022 | 2021 |
| Less than HK$1,000,000 | 3 | 3 |
| HK$1,000,001 – HK$1,500,000 | – | 2 |
| HK$1,500,001 – HK$2,000,000 | 1 | – |
| HK$2,000,001 – HK$2,500,000 | 1 | – |

## Independence of Independent Non-executive Directors

The Board has received from each of the independent non-executive Directors a confirmation of his/her independence according to the independence guidelines set out in Rule 3.13 of the Listing Rules.

The Board is of the view that all independent non-executive Directors are independent and is grateful for the contribution and independent advice and guidance that they have been giving to the Board and the Board committees.

## Other matters relating to the Board

In relation to financial reporting, all Directors acknowledge their responsibilities for preparing the accounts of the Group. The Group has appropriate insurance in place to cover the liabilities of the Directors and senior executives of the Group.

## CO-CHAIRMAN AND CHIEF EXECUTIVE

Code provision C.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

During the year ended 31 December 2022, Mr. Shao is the Chairman of the Board and Chief Executive Officer of the Group. The Board believes that with the support of the management, vesting the roles of both the Chairman and Chief Executive Officer in Mr. Shao, the founder of the Group, can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. The Board therefore considers that this structure will not impair the balance of power and authority between the Board and the management of the Company.

The balance of power and authority is also ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. There is a strong independent element in the composition of the Board. Among the eight Board members, three are independent non-executive Directors. The Board believes that the structure was conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently and the interests of the Shareholders will be adequately and fairly represented. The Board believes that Mr. Shao's appointment to the posts of Chairman and the Chief Executive Officer is beneficial to the business prospects and management of the Company.

On 16 February 2023, Dr. Cheng was appointed as a non-executive Director and a Co-Chairman of the Board. The Company shall have more than one chairman, and accordingly, Mr. Shao was re-designated from Chairman of the Board to a Co-Chairman of the Board on 16 February 2023, and continue to serve as an executive Director and the Chief Executive Officer of the Company. Following the re-designation, Mr. Shao as a Co-Chairman of the Board will jointly provide leadership to and oversee the management of the Board with Dr. Cheng.

Dr. Cheng possess experience in the field of art, culture and commerce would be beneficial to the Group in further developing into the digital world of fashion, branding, design and creative industries in China, the Asia-Pacific region and (to extent possible) across the global. Having the distinctive background and ample experience of Mr. Shao and Dr. Cheng, by applying their insight and knowledge together to the responsibilities of overseeing the overall management of the Group's business, general management and administration, and strategic planning, development and expansion of the Group's business.

In such connection, the Board considers the Group can be benefited from the joint contribution and cooperation of both Co-chairmen in the Group's management and operation, rather than limiting their roles to particular functions.

## Board Independence Evaluation

The Company has established a Board independence evaluation mechanism ("Independence Evaluation Mechanism") during the Year which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board independence evaluation report ("Independence Evaluation Report") will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended for 31 December 2022, all Directors have completed the independence evaluation in the form of a questionnaire individually. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended for 31 December 2022 the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

## BOARD COMMITTEES

The Board has established the Audit, Remuneration, Nomination and Environmental, Social and Governance Committees with written terms of reference to deal with certain corporate governance aspects of the Group. The terms of reference of these committees are published on the Company's website (www.metamediahldg.com) and the Stock Exchange's website (www.hkexnews.hk). From time to time, the Board also establishes other board committees to deal with specific aspects of its business. Each committee is appointed with written terms of reference and each member of the committee has a formal letter of appointment setting out key terms and conditions relating to his/her appointment. Each committee meets as frequently as required by business developments and the operation of the Group. Committee members are provided with adequate and timely information before each meeting or discussion. All committee members are asked to review and comment on the minutes of their meetings within a reasonable time after the meetings. The procedures and arrangements relating to the meetings of the Board apply to meetings of the Board committees wherever appropriate.

## AUDIT COMMITTEE

The Company has established the Audit Committee in 2009 with written terms of reference. As at 31 December 2022, the Audit Committee comprises three independent non-executive Directors, namely Mr. Yick Wing Fat Simon (Chairman), Ms. Wei Wei and Mr. Wan Jie.

The Audit Committee members have professional qualifications and experience in financial matters that enable the Audit Committee to exercise its powers effectively and provide the Board with independent views and recommendations in relation to financial matters.

The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and the internal control procedures of the Group. The terms of reference of the Audit Committee are aligned with the recommendations as set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The main duties of the Audit Committee are as follows:

(a) to consider the appointment of the external auditors and any question of resignation or dismissal;

(b) to discuss with the external auditors before the audit commences, the nature and scope of the audit;

(c) to review the half-year and annual financial statements before submission to the Board, focusing particularly on:

  (i) any changes in the accounting policies and practices adopted by the Group;

  (ii) major accounting estimates and judgmental areas;

  (iii) significant adjustments following the audit;

  (iv) the going concern assumption;

  (v) compliance with accounting standards; and

  (vi) compliance with the requirements of the Stock Exchange and related legal requirements;

(d) to discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);

(e) to review the audit program of the internal audit function (if applicable); and

(f) to oversee the Company's financial reporting system and internal control system, and in particular the risk management system.

The Audit Committee holds two regular meetings annually and also meets at such other times as are necessary. Any Audit Committee member may convene a meeting of the Committee. The external auditor may also request the Chairman of the Audit Committee to convene a meeting of the Audit Committee. The Audit Committee may invite the external auditor and/or members of management to attend any of the meetings. Special meetings may be called at the discretion of the Chairman of the Audit Committee or at the request of management to review significant internal control or financial issues. The Chairman of Audit Committee reports to the Board at least twice a year on the Audit Committee's activities and highlights any significant issues. The number of meetings of the Audit Committee held and attended by each of the Audit Committee members during the Year were as follows:

| Name of Director | Meetings attended | Meetings held during the term of office in 2022 |
|---|---|---|
| Mr. Yick Wing Fat Simon *(Chairman)* | 3 | 3 |
| Ms. Wei Wei | 3 | 3 |
| Mr. Wan Jie | 3 | 3 |

The following is a summary of the work performed by the Audit Committee during the year ended 31 December 2022:

(a) reviewed the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(b) discussed with the external auditors regarding the nature and scope of the 2022 audit;

(c) reviewed the half–year and annual financial statements of the Group before the submission to the Board for the approval;

(d) reviewed the Group's financial reporting, internal controls and risk management processes; and

(e) met the external auditors without the presence of the executive Directors.

The Board has not taken any view that is different from that of the Audit Committee nor rejected any recommendation presented by the Audit Committee in 2022.

The external auditors were invited to attend the Audit Committee meetings held during the Year to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year ended 31 December 2022.

## REMUNERATION COMMITTEE

The Company has established the Remuneration Committee in 2009 with written terms of reference. As at 31 December 2022, the Remuneration Committee comprises three independent non-executive Directors, namely Mr. Yick Wing Fat Simon (Chairman), Ms. Wei Wei and Mr. Wan Jie. The primary duties of the Remuneration Committee are to make recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all Directors and senior management of the Company by making reference to market rates, their duties and responsibility to determine on behalf of the Board the specific remuneration packages and conditions of employment for all the executive Directors and senior management of the Company.

The duties of the Remuneration Committee, as set out in its terms of reference, adhere to the relevant CG Code. The Remuneration Committee usually meets once a year and at such other time as is necessary. Any Remuneration Committee member may convene a meeting of the Remuneration Committee. The number of meetings of the Remuneration Committee held and attended by each of the Remuneration Committee members during the Year were as follows:

| Name of Director | Meeting attended | Meeting held during the term of office in 2022 |
|---|---|---|
| Mr. Yick Wing Fat Simon *(Chairman)* | 1 | 1 |
| Ms. Wei Wei | 1 | 1 |
| Mr. Wan Jie | 1 | 1 |

During the year ended 31 December 2022, the Remuneration Committee has performed the following work:

(a) reviewed and discussed the remuneration policy of the Group and the remuneration packages of the Directors and the senior management members; and

(b) reviewed the remuneration of the executive Directors.

Details of the remuneration of each Director and the remuneration of the members of the senior management of the Group by band for the year ended 31 December 2022 are set out in note 12 to the consolidated financial statements and the paragraph headed "Corporate Governance Report – Remuneration of Directors and Senior Management" in this annual report respectively.

## NOMINATION COMMITTEE

The Company has established the Nomination Committee in 2012 with written terms of reference. As at 31 December 2022, the Nomination Committee comprises three independent non-executive Directors, namely Ms. Wei Wei (Chairman), Mr. Yick Wing Fat Simon and Mr. Wan Jie. The primary duties of the Nomination Committee are reviewing the structure, size and composition of the Board annually, making recommendation on any proposed changes to the Board and the appointment or re-appointment of Directors having regard to the balance of skills and experience appropriate to the Group's business and the Board diversity.

The duties of the Nomination Committee, as set out in its terms of reference, adhere to the relevant CG Code. The Nomination Committee usually meets once a year and at such other time as is necessary. Any Nomination Committee member may convene a meeting of the Nomination Committee. The number of meetings of the Nomination Committee held and attended by each of the Nomination Committee members during the Year were as follows:

| Name of Director | Meeting attended | Meeting held during the term of office in 2022 |
|---|---|---|
| Ms. Wei Wei *(Chairman)* | 1 | 1 |
| Mr. Yick Wing Fat Simon | 1 | 1 |
| Mr. Wan Jie | 1 | 1 |

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including but not limited to the following in assessing the suitability of the proposed candidate:

(a) the needs of the Board and the respective committees of the Board and the current size and composition of the Board;

(b) the proposed candidate's character, experience and integrity;

(c) the proposed candidate's accomplishment and reputation in the business and other relevant sectors relating to the Group's business or development;

(d) the proposed candidate's commitment in respect of sufficient time and attention to the Company's business;

(e) in accordance with the Board diversity policy ("Board Diversity Policy") stated in the paragraph headed "Board Diversity Policy" below, diversity in all aspects, including but not limited to skills, experience, knowledge, expertise, culture, independence, age and gender;

(f) the proposed candidate's ability to assist and support management and make significant contributions to the Company's success;

(g) the proposed candidate's understanding of the fiduciary responsibilities that is required of a director and the commitment of time and energy necessary to diligently carry out those responsibilities; and

(h) any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and Shareholders.

Once the Nomination Committee determines that an additional or replacement director is required, the Nomination Committee may take such measures that it considers appropriate in connection with its evaluation of a candidate, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, engagement of an outside search firm to gather additional information, or reliance on the knowledge of the members of the Nomination Committee, the Board or management.

During the year ended 31 December 2022, the Nomination Committee performed the following work:

(a) reviewed and discussed the structure and composition of the Board;

(b) reviewed and discussed the policy for the nomination of Directors; and

(c) assessed the independence of the independent non-executive Directors.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Company has established the ESG Committee in 2016 with written terms of reference. As at 31 December 2022, the ESG Committee comprises one Executive Director, namely Mr. Shao (Chairman), and an independent non-executive Director, namely Mr. Wan Jie and a senior management member, namely Ms. Zhong Yuan Hong. The primary duties of the ESG Committee are (i) to formulate and implement the ESG policies and strategies; (ii) to set-up the key performance indicators and monitor the progresses and the end-results; and (iii) to review and revise the ESG policies to ensure the effectiveness of its implementation.

The duties of the ESG Committee, as set out in its terms of reference, adhere to the relevant CG Code. The ESG Committee shall meet at least once a year and at such other time as is necessary. Any ESG Committee member may convene a meeting of the ESG Committee. The ESG Committee did not hold any meetings during the Year.

## BOARD DIVERSITY POLICY

On 15 August 2013, the Company adopted the Board Diversity Policy in accordance with the requirement set out in code provision of the CG Code. The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as essential in achieving a sustainable and balanced development of the Group.

The Board has considered measurable objectives based on the following focus areas: (i) professional skills, experience, knowledge and expertise; (ii) gender; (iii) age; and (iv) culture and ethnicity. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

As at 31 December 2022, the Board comprises seven Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, in particular, in terms of professional expertise and experience, age, culture and ethnicity. In addition, the Board has two female members, namely Ms. Yang Ying and Ms. Wei Wei, which brings diversity to the Board and the Board will continue to maintain the current level.

An analysis of the Board's current composition based on the measurable objectives is set out below:

**Gender**
Male: 5 Directors
Female: 2 Directors

**Designation**
Executive Directors: 4 Directors
Independent Non-executive Directors: 3 Directors

**Nationality**
Chinese: 5 Directors
French: 1 Director
Canadian: 1 Director

**Age Group**
41-50: 2 Directors
51-60: 1 Directors
61-70: 4 Directors

**Educational Background**
Business Administration: 3 Directors
Account and Finance: 1 Directors
Other: 3 Directors

**Business Experience**
Accounting & Finance: 1 Directors
EXPERIENCE RELATED TO THE COMPANY'S BUSINESS: 6 Directors

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

Appropriate emphasis on maintaining gender diversity has been placed in the reviews of board composition, board diversity and succession planning. All appointments of Directors will take into account the measurable objectives set out in the Board Diversity Policy and the benefits of diversity on the Board, so as to maintain a pipeline of potential successors to the Board to maintain gender diversity.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

## GENDER DIVERSITY

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this Annual Report:

| | **Female** | **Male** |
|---|---|---|
| Board | 28.6% (2) | 71.4% (5) |
| Senior management | 60.0% (3) | 40.0% (2) |
| Other employees | 75.6% (236) | 24.4% (76) |
| Overall workforce | 74.4% (241) | 25.6% (83) |

The Board had targeted to achieve and had achieved at least 28.6% (2) of female Directors, 60% (3) of female senior management and 75.6% (236) of female employees of the Group and considers that the above current gender diversity is satisfactory.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on page 96 of this Annual Report.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

For the year ended 31 December 2022, the Board met once to review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this corporate governance report.

## INTERNAL CONTROLS

The Group has established internal controls in all material aspects of its business including financial, operational, compliance and risk management functions. These internal controls are intended to safeguard the Shareholders' investments and the Group's assets. To the extent relevant, the Group's internal control framework uses aspects from the internal control and risk management framework proposed by the HKICPA.

The responsibilities for maintaining the Group's internal controls are divided between the Board and management. The Board is responsible for setting and reviewing internal control policies to monitor the Group's internal control systems. The Board delegates the implementation of these policies to management. Management is responsible for identifying and evaluating the risks faced by the Group and for designing, operating and monitoring an effective internal control system which implements the policies adopted by the Board. The Company has set up its own internal audit department to perform an internal audit function in 2010. Audit plans, risk assessments and internal audit reports are presented to and reviewed by the Audit Committee and the Board. The Board acknowledges that it is responsible for the Group's systems of internal control and for reviewing its effectiveness. Preliminary reviews of the Group's financial controls, internal control and risk management systems prior to formal reviews by the Board have been delegated to the Audit Committee in accordance with its terms of reference. The Audit Committee reviews the Group's financial controls, internal control and risk management systems at its regular Audit Committee meetings. It should be noted, however, that while a sound and well-designed system of internal control helps to provide reasonable safeguards to assist the Group in achieving its business objectives, the system itself cannot provide protection with certainty against the Group failing to meet its business objectives or against all material errors, losses, fraud or breaches of laws or regulations. For this reason, the Board's review of the internal controls should not be treated as an absolute assurance that one of the risks mentioned above would not materialise. The Board reviewed the effectiveness of the Group's material controls, including financial, operational and compliance controls and risk management functions as well as the adequacy of resources, qualifications and experience of staff of its accounting and financial reporting function and their training programs and budget during the Year and considered the Group's system of internal controls to be effective and adequate.

Regarding the procedure and internal control over handling and dissemination of the inside information, the Group has established monitoring measures to ensure that the potential inside information could be promptly recognized, assessed and then provided to the Board for their decision that whether a disclosure is required.

## DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

The Directors have acknowledged their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 December 2022.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

## EXTERNAL AUDITOR

ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") was first appointed as the external auditor of the Group in 2020.

During the year ended 31 December 2022, ZHONGHUI ANDA provided the following audit and non-audit services to the Group:

| | *RMB'000* |
|---|---|
| Audit services | 1,330 |
| Other non-audit services | 200 |
| Total | 1,530 |

ZHONGHUI ANDA will retire and offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

A statement by ZHONGHUI ANDA about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report section of this annual report on pages 103 to 106.

## COMPANY SECRETARY

Ms. Chan Sze Ting ("Ms. Chan") has been engaged and appointed by the Company as the Company Secretary in the capacity of an external service provider. The Company has designated Mr. Shao, Co-Chairman of the Board, to be the contact person of Ms. Chan pursuant to code provision C.6.1 of the CG Code as set out in Appendix 14 to the Listing Rules. Ms. Chan has attained no less than 15 hours of relevant professional training during the Year. Her biography is set out in page 74 of this Annual Report.

## INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

All of the Company's shares are ordinary shares carrying equal voting rights. As at the date of this annual report, sufficient shares of the Company were on public float as required by the Listing Rules. The Board and management recognise their responsibility to act in the best interests of the Company and its Shareholders as a whole. Shareholder relations play an integral part in corporate governance. The Group keeps Shareholders informed of its performance, operations and significant business developments by adopting a transparent and timely corporate disclosure policy which complies with the Listing Rules and provides all Shareholders equal access to such information. The Company reports on financial and operating performance to Shareholders twice each year through annual and interim reports. The Company gives Shareholders the opportunity to raise concerns or propose recommendations to the Board at the Company's annual general meetings. A representative of the Company's external auditor is requested to attend the annual general meetings to answer questions about the external audit and the audit report. Shareholders may visit our website: www.metamediahldg.com for up-to-date financial and other information about the Group and its activities.

The Company promotes fair disclosure of information to all investors and care is taken to ensure that analyst briefings and other disclosures made by the Company comply with the Listing Rules' prohibition against selective disclosure of inside information. Shareholders have specific rights to convene extraordinary general meetings under the Articles.

### 1. Procedure for Shareholders to convene an extraordinary general meeting

1.1 The following procedures for Shareholders to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 64 of the Articles:

(1) One or more Shareholders (the "Requisitionist(s)") holding, at the date of the deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(2) Such Requisition shall be made in writing to the Board or the Company Secretary via email at the email address of the Company at hk@metamedia.com.hk.

(3) The EGM shall be held within two months after the deposit of such Requisition.

(4) If the Directors fail to proceed to convene such meeting within 21 days of the deposit of such Requisition, the Requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

## 2. Procedure for raising enquiries

To ensure effective communication between the Board and the Shareholders, the Company has adopted the Shareholder Communication Policy on 29 February 2012.

2.1 Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar, TRICOR INVESTOR SERVICES LIMITED, via send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong.

2.2 Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at hk@metamedia.com.hk, fax: (852) 2891 9719 or mail to 7/F, Global Trade Square, 21 Wong Chuk Hang, Aberdeen, Hong Kong. Shareholders may call the Company at (852) 2250 9188 for any assistance.

## 3. Procedure and contact details for putting forward proposals at Shareholders' meetings

3.1 To put forward proposals at a general meeting of the Company, Shareholders should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information via email at the email address of the Company at hk@metamedia.com.hk.

3.2 The identity of the Shareholder and his/her/its request will be verified by the Company's branch share register in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a Shareholder, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

3.3 The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days in writing if the Proposal requires approval by way of an ordinary resolution in an annual general meeting or a special resolution of the Company;

(2) Notice of not less than 14 clear days in writing if the Proposal requires approval in meeting other than an annual general meeting.

Up to the date of this annual report, no Shareholder has requested the Company to convene an EGM.

The Company has reviewed the implementation and effectiveness of its shareholders' communication policy during the Year. Having regard to the measures and procedures implemented, it considers such policy as effective.

The Company's next annual general meeting will be held on 30 June 2023. For details, please refer to the notice of the annual general meeting to be published on the Company's and the Stock Exchange's websites.

## CONSTITUTIONAL DOCUMENTS

During the Year, amendments to the memorandum of association and articles of association of the Company (the "M&A") were duly passed by way of special resolution at the AGM held at 30 June 2022, details of which are set out in the Company's circular dated 27 May 2022 and announcement dated 30 June 2022 published on the website of the Stock Exchange. The latest M&A are available on the Stock Exchange's and Company's websites.

## CONCLUSION

The Company strongly believes that good corporate governance can safeguard the effective allocation of resources and protect Shareholders' interest and the management tries to maintain, strengthen and improve the standard and quality of the Group's corporate governance.

# Directors' Report

The Directors are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

## BUSINESS REVIEW

### Key financial and business performance indicators

The key financial and business performance indicators comprise profitability growth, return on equity, dividend growth and gearing ratio. Details of profitability analysis are set out in "Management Discussion and Analysis" section of this annual report. The Group's return on equity, based on loss/profit for the year to net assets, deteriorated from 1.2% to -22.8% in 2022 as compared to 2021, which was mainly due to the outbreak of COVID-19 resulting in the global economic downturn. The Directors do not recommend the payment of any final dividend for the year ended 31 December 2022 to preserve more financial resources in response to the market stagnancy. The Group's gearing ratio as at 31 December 2022 was 32.9% (31 December 2021: 26.7%), which was calculated based on the net debt divided by total capital at the end of the year and multiplied by 100%. The Group will continue to safeguard its capital adequacy position, whilst to maintain a balance between business growth and risk management.

### Environmental, social and governance

The Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework for motivating staff, and contributes to the community in which we conduct our businesses and creating a sustainable return to the Group.

In 2016, the Board established the ESG Committee to formulate the policies and implement the procedures to deal with environmental, social and governance affairs of the Group. Please refer to the ESG Report on pages 75 to 102 of this annual report.

### Environmental protection

The Group has implemented internal recycling program on a continuous basis for consumable goods such as toner cartridges and paper in order to minimise the impact on the environment and natural resources being caused by the Group's operations. Recycled papers have also been used as the Group's key printing materials. The Group also implemented energy saving practices in offices and branch premises where applicable. The Group also plans to complete the upgrade of air-conditioning and electricity systems to achieve the energy saving and provision of clear air to workplace where possible.

### Workplace quality

The Group is an equal opportunity employer and encourages diversity regardless of age, gender, marital status and race. The Board Diversity Policy, with the aim of enhancing the Board's performance by diversity, was adopted in August 2013.

The Group believes that employees are the most important and valuable assets of the Group and regards human resources as its corporate wealth. The Group is people-focused, we attract and retain key personnel and talents with appropriate skills, experience and competence which would complement and meet the corporate and business objectives of the Group.

We provide on-the-job training and development opportunities to promote staff self-actualisation and enhance our employees' career progression. We also encourage staff participation of external seminars and lectures to keep abreast of changes and updates on areas of legal, compliance, financial accounting and tax knowledge. It is believed that staff knowledge and skills are aligned and enhanced through relevant, systematic and planned trainings which in return can improve the efficiency and productivity of the Group.

The Group encourages continuous professional development training for the Directors and senior management to develop and refresh their knowledge and skills which includes updates on regulatory requirements and development and corporate governance practices through seminars and workshops.

The Group provides competitive remuneration package to attract, retain and motivate the employees. It offers competitive remuneration, medical benefits, insurance and leave entitlement commensurate to market standards, and we regularly review the remuneration package of employees and make necessary adjustments to conform to the market standards. We establish and implement policies that promote a harmonious and productive workplace.

## Compliance with laws and regulations

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Company is aware, it has complied in material aspects with the relevant laws and regulations that have significant impacts on the business and operation of the Company and its subsidiaries.

## Relationships with key stakeholders

The Group's success also depends on the support from key stakeholders which comprises employees, customers, service vendors, regulators and Shareholders.

## Employees

Employees are regarded as the most important and valuable assets of the Group. The objective of the Groups' human resource management is to reward and recognise our staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by providing appropriate trainings and opportunities within the Group for career advancement.

## Customers

The Group's principal customers are from 4A advertising companies and branded customers which place their advertisements on our print and digital media products. The Group has the mission to provide excellent and creative customer services whilst maintaining our long-term profitability, business and assets growth. Various means have been established to strengthen the communication between the customers and the Group in order to provide excellent customer services, which in turn achieves further market penetration and expansion.

## Service vendors

Sound relationships with key service vendors of the Group are important in supply chain which can generate cost effectiveness and foster long-term business benefits. The key service vendors comprise the printing vendors, overseas and local licensors, contents providers, photos suppliers and other business partners which provide value-added services to the Group.

## Regulators

The Group operates in advertising sector which is regulated by the Stock Exchange, the Securities and Futures Commission of Hong Kong, the News and Publication Bureau (新聞出版局) and the Industrial and Communication Department (工業和信息化部) in the PRC and other relevant authorities. It is the Group's desire to keep up-to-date and ensure the compliance with new rules and regulations.

## Shareholders

One of the corporate goals of the Group is to enhance corporate value to the Shareholders. The Group is poised to foster business developments for achieving sustainable earnings growth and rewarding the Shareholders by stable dividend payouts taking into account the capital adequacy levels, liquidity positions and business expansion needs of the Group.

## Principal risks and uncertainties

The Board is ultimately responsible for ensuring that the risk management practices of the Group are sufficient to mitigate the risks present in our businesses and operations as efficiently and effectively as possible. The Board delegates some of this responsibility to various operational departments.

The Group's principal business activities comprise the provision of multi-media advertising services, printing and distribution of magazines, provision of advertising-related services, artwork trading and related services and restaurant operation. It will be exposed to a variety of key risks including foreign currency risk, credit risk, liquidity risk and interest rate risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in note 5 to the consolidated financial statements of this annual report.

The Group's business and profitability growth in the Year under review is affected by the volatility and uncertainty of macro-economic conditions in the PRC and Hong Kong. The PRC government had continued on with its anti-corruption crack down which severely impacted the sentiment of the retail market, especially in luxury consumption. The brand advertisers cut down their budget which was reflected in the downward trend of the advertising spending in recent years. The long-term business and profitability growth of the Group is expected to continue to be affected by the changes in macro-economic variables including real GDP growth, consumer price index, credit demand, unemployment rate, etc. of the PRC and Hong Kong.

## Future business development

In the coming future, we will continue to foster the implementation of vertical industry chain integration, upgrade and optimise the existing assisted purchase feature on e-commerce, enhance online and offline activity and develop the integrated marketing brand consultancy service. Also, we will further develop the art sector business and metaverse business by leveraging on our existing strengths of our art and commercial media platforms through the organisation of art exhibitions or activities and the provision of art consultation services.

Despite the foregoing, the Group will continue to seek sustainable business expansion and market penetration, and to pursue profitability growth by diversification of our income streams, improvement of cost efficiency and control of bad debts. The Group will also adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

On 10 March 2017, the Company entered into an investment agreement (the "Investment Agreement") with Hong Kong Septwolves Invest-Holding Limited ("Septwolves Invest"), pursuant to which each of the Company and Septwolves Invest have agreed to subscribe for certain shares of Modern Digital Holdings Limited ("MDHL"), a wholly-owned subsidiary of the Company. The Company is of the view that, apart from providing an immediate funding and increasing the liquidity of the Group, introducing Septwolves Invest, whose ultimate controlling shareholders have the expertise, rich resources and networking, as a strategic shareholder of MDHL would optimise sales network of MDHL, and assist MDHL in developing and strengthening its long-term business development by leveraging on the financial strength and extensive business networks of Septwolves Invest (and its associated corporations). For further details of the investment, please refer to the announcement of the Company dated 10 March 2017, 22 March 2017, 4 August 2017 and 13 July 2019, respectively. Pursuant to the Investment Agreement, the Company has undertaken to Septwolves Invest that the expected revenue after tax of MDHL and its subsidiaries (collectively, "MDHL Group") for each of the three years ended 31 December 2017, 2018 and 2019 will be no less than HK$140 million, HK$162 million, and HK$186 million, respectively. If MDHL fails to achieve the above expected annual performance, Septwolves Invest shall be entitled, on or before 30 April 2020, to require the Company to acquire all shares in MDHL then held by Septwolves Invest. Based on the audited consolidated financial statements of MDHL Group, its revenue after tax for the year ended 31 December 2019 amounted to approximately RMB183.1 million (equivalent to approximately HK$207.7 million). As the revenue after tax of MDHL Group for the year ended 31 December 2019 was in excess of HK$186 million, the expected annual performance for such year as provided under the Investment Agreement was fulfilled.

Pursuant to an investment agreement entered into between the Group, 上海尚照電子商務有限公司 (Shanghai Shangzhao Co., Ltd.*) ("Shanghai Shangzhao") (an independent third party) and the shareholders of Shanghai Shangzhao (independent third parties) on 8 April 2019, the Group agreed to subscribe for RMB2,365,500 in the registered capital of Shanghai Shangzhao, representing 51% of its enlarged registered capital, at a consideration of RMB15,000,000 (the "Acquisition"). Shanghai Shangzhao and its subsidiary, 上海眾社文化發展有限公司 (Shanghai Zhongshe Cultural Development Co., Ltd.*), were established in the PRC with limited liability and are principally engaged in the operation of galleries and cafes, organisation of photography exhibitions, operation of online shop and physical stores for sales of photography artworks in the PRC, all under the "BROWNIE Art Photography" brand in the PRC. The Acquisition was completed on 30 June 2019. Details of the Acquisition were disclosed in the Company's announcements dated 8 and 18 April 2019 respectively.

According to the Investment Agreement entered into by the Group, Art Review (an independent third party) and ART VIEW LTD (an independent third party) on 10 June 2019, the Group agreed to subscribe for 85% of the registered capital of Art Review at a price of GBP800,000. Art Review was established as a limited liability company in the United Kingdom. It mainly publishes and sells ArtReview, the world's top art magazine with a history of 70 years, and ArtReview Asia, the only contemporary art review magazine in Asia with a history of nearly 20 years. It provides services such as exhibition and event planning and implementation. The said acquisition was completed on 30 June 2019.

The aforementioned acquisitions were was made to broaden the income base of the Group to facilitate the development of the Group's art business.

## PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The particulars and activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements of this annual report. An analysis of the Group's performance for the Year by business segments is set out in note 6 to the consolidated financial statements of this annual report.

## FINANCIAL RESULTS AND DISTRIBUTABLE RESERVES

The Group's financial performance for the year ended 31 December 2022 and the financial position of the Company and the Group as at 31 December 2022 are set out in the consolidated financial statements on pages 107 to 109 and page 166 of this annual report.

Movements in the reserves of the Company and amounts available for distribution to the Shareholders are disclosed in note 32(b) to the consolidated financial statements of this annual report. Movements in the reserves of the Group are disclosed in the consolidated statement of changes in equity on page 110 of this annual report.

## DIVIDEND POLICY

The Group adopted a dividend policy (the "Dividend Policy") on 22 March 2019. The Directors consider the main objectives of the Dividend Policy are to provide sustainable returns and a stable dividend payment to the Shareholders. The basic policy is to pay interim and final dividends in each financial year.

Under the applicable laws of the Cayman Islands and the Articles, all of the Shareholders have equal rights to dividends and distributions. The Board determines the interim dividend and recommends the final dividend which requires the approval of the Shareholders. In addition to cash, dividends may be distributed in the form of Shares. Any distribution in the form of Shares also requires the approval of the Shareholders.

Retained surplus is used to achieve further gains in corporate value. For this purpose, the Board makes effective use of retained surplus to strengthen the operating base and fund growth of established businesses and the development of new businesses.

The Board takes into account the following factors when considering the declaration and payment of dividends:

- liquidity position of the Company;
- financial results;
- Shareholders' interests;
- general business conditions and strategies;
- capital requirements;
- contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries to the Company, if any;
- taxation considerations;
- possible effects on the creditworthiness;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

The Company will not declare any dividend(s) where:

- there are reasonable grounds for believing that the Company is or would be, after a dividend payment, unable to pay its liabilities or discharge its obligations as and when they become due;
- pursuant to dividend decision date, the Company is insolvent or bankrupt or where, as a result of paying dividends, the Company would be rendered insolvent or bankrupt; or
- there is any other case set forth by any law.

## DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## SHARE CAPITAL

There was no movement in the Company's share capital during the Year.

## PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements of this annual report.

## MAJOR SUPPLIERS AND CUSTOMERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 6.82% and 2.20% of the Group's total purchases for the year ended 31 December 2022 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 35.40% and 10.6% of the Group's total sales for the year ended 31 December 2022 respectively.

As far as the Directors are aware, neither the Directors, their close associates, nor Shareholders (which to the knowledge of the Directors own more than 5% of the Company's number of issued shares as at 31 December 2022) had any interest in any of the five largest suppliers and customers disclosed above.

## PARTICULARS OF PROPERTY HELD BY THE GROUP FOR INVESTMENT

Details of property held by the Group for investment as at 31 December 2022 are as follows:

| Location | Use | Lease term | Group's interest |
|---|---|---|---|
| 401, 4/F, No. A2, Workers' Stadium East Road, Chaoyang District, Beijing, the PRC | Commercial | Long-term | 100% |

## FIVE YEAR FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 176 of this annual report.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws in the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

## DIRECTORS

The Directors who held office during the Year and as at the date of this Directors' Report were:

**Executive Directors**
Mr. Shao Zhong *(Co-Chairman of the Board, re-designated from the Chairman of the Board on 16 February 2023, and Chief Executive Officer)*
Ms. Yang Ying
Mr. Li Jian
Mr. Deroche Alain, Jean-Marie, Jacques

**Non-executive Director**
Dr. Cheng Chi Kong, Adrian *(Co-chairman of the Board, appointed on 16 February 2023)*

**Independent non-executive Directors**
Mr. Yick Wing Fat Simon
Ms. Wei Wei
Mr. Wan Jie

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the Directors and chief executive of the Company had the following interests or short positions in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

### Long Positions in the Company

| Name of Director | Company/ Name of Group member | Capacity/ Nature of interest | Number of ordinary Shares held | Approximate % of number of issued ordinary Shares* |
|---|---|---|---|---|
| Mr. Shao Zhong | The Company | Beneficial owner | 328,150,000 | 74.86% |
| Ms. Yang Ying | The Company | Beneficial owner | 110,000 | 0.03% |
| Mr. Deroche Alain, Jean-Marie, Jacques | The Company | Beneficial owner | 94,000 | 0.02% |

* As at 31 December 2022

Long Positions in the associated corporations of the Company

| Name of Director | Name of associated corporation | Capacity | Approximate % of equity interest |
|---|---|---|---|
| Mr. Shao | 北京現代雅格廣告有限公司(Beijing Modern Yage Advertising Co., Ltd.*, "Beijing Yage") | Interest of controlled corporations *(Note 1)* | 100% |
| Mr. Shao | 北京雅格致美廣告傳播有限公司(Beijing Yage Zhimei Advertising Media Co., Ltd.*, "Beijing Yage Zhimei") | Interest of controlled corporations *(Note 2)* | 100% |
| Mr. Shao | 廣州現代資訊傳播有限公司(Guangzhou Modern Information Media Co., Ltd.*, "Guangzhou Modern Information") | Beneficial owner | 100% |
| Mr. Shao | 廣州現代圖書有限公司(Guangzhou Modern Books Co., Ltd.*, "Guangzhou Modern Books") | Beneficial owner | 90% |
| Mr. Shao | Guangzhou Modern Books | Interest of controlled corporations *(Note 3)* | 10% |
| Mr. Shao | 上海格致廣告有限公司(Shanghai Gezhi Advertising Co., Ltd.*, "Shanghai Gezhi") | Interest of controlled corporations *(Note 4)* | 100% |
| Mr. Shao | 上海雅格廣告有限公司(Shanghai Yage Advertising Co., Ltd.*, "Shanghai Yage") | Interest of controlled corporations *(Note 5)* | 100% |
| Mr. Shao | 深圳市雅格致美資訊傳播有限公司(Shenzhen Yage Zhimei Information Media Co., Ltd.*, "Shenzhen Yage Zhimei") | Interest of controlled corporations *(Note 6)* | 100% |
| Mr. Shao | 珠海現代致美文化傳播有限公司(Zhuhai Modern Zhimei Culture Media Co., Ltd.*, "Zhuhai Modern Zhimei") | Interest of controlled corporations *(Note 7)* | 100% |
| Mr. Shao | 珠海銀弧廣告有限公司(Zhuhai Yinhu Advertising Co., Ltd.*, "Zhuhai Yinhu") | Beneficial owner | 90% |
| Mr. Shao | Zhuhai Yinhu | Interest of controlled corporations *(Note 8)* | 10% |
| Mr. Shao | 摩登傳媒影業(廣州)有限公司 (Modern Media Films (Guangzhou) Co., Ltd.*, "Modern Media Films") (previously known as 廣州摩登視頻傳媒有限公司 (Guangzhou Modern Video Media Co., Ltd.*)) | Interest of controlled corporations *(Note 9)* | 100% |
| Mr. Shao | 廣州現代移動數碼傳播有限公司(Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited.*, "Guangzhou Xiandai") | Interest of controlled corporations *(Note 10)* | 100% |
| Mr. Shao | 上海森音信息技術有限公司(Shanghai Senyin Information Technology Co., Ltd.*, "Shanghai Senyin") | Interest of controlled corporations *(Note 11)* | 100% |

* denotes English translation of the name of a Chinese company or entity and is provided for identification purposes only

*Notes:*

1. Beijing Yage is held as to 80% by Guangzhou Modern Information and as to 20% by Guangzhou Modern Books. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Beijing Yage held by Guangzhou Modern Information and Guangzhou Modern Books, both of which are Mr. Shao's controlled corporations.

2. Beijing Yage Zhimei is held as to 100% by Zhuhai Modern Zhimei, the equity interest is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Beijing Yage Zhimei held by Zhuhai Modern Zhimei which is Mr. Shao's indirect controlled corporation.

3. Guangzhou Modern Books is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Guangzhou Modern Books held by Guangzhou Modern Information, which is Mr. Shao's controlled corporation.

4. Shanghai Gezhi is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Gezhi held by Zhuhai Modern Zhimei, which is Mr. Shao's indirectly controlled corporation.

5. Shanghai Yage is held as to 90% by Guangzhou Modern Information and as to 10% by Guangzhou Modern Books. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Yage held by Guangzhou Modern Information and Guangzhou Modern Books, both of which are Mr. Shao's controlled corporation.

6. Shenzhen Yage Zhimei is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shenzhen Yage Zhimei held by Zhuhai Modern Zhimei, which is Mr. Shao's indirectly controlled corporation.

7. Zhuhai Modern Zhimei is held as to 100% by Zhuhai Yinhu, the equity interest of which is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Zhuhai Modern Zhimei held by Guangzhou Modern Information, which is Mr. Shao's controlled corporation.

8. Zhuhai Yinhu is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Zhuhai Yinhu held by Guangzhou Modern Information which is Mr. Shao's controlled corporation.

9. Modern Media Films is held as to 100% by Guangzhou Xiandai. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Modern Media Films held by Guangzhou Xiandai of which is Mr. Shao's controlled corporation.

10. Guangzhou Xiandai is held as to 95% by Mr. Shao and as to 5% by Shanghai Senyin. Mr. Shao is accordingly deemed by the SFO to be interested in the 5% equity interest in Guangzhou Xiandai held by Shanghai Senyin which is Mr. Shao's controlled corporation.

11. Shanghai Senyin is held as to 95% by Mr. Shao and 5% by Ms. Zhong Yuanhong, an employee of the Group, on trust for Mr. Shao.

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS AND PERSONS WHO HAVE AN INTEREST OR SHORT POSITIONS DISCLOSABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

The register of interests or short positions in shares and underlying shares of the Company required to be kept under section 336 of the SFO shows that as at 31 December 2022, the Company had been notified of the following Shareholders other than the Directors or chief executive of the Company having interests in the Shares representing 5% or more of the Company's issued share capital:

| Name of Shareholder | Capacity/Nature of interest | Number of ordinary Shares held | Approximate % of issued ordinary Shares* |
|---|---|---|---|
| Madam Zhou Shao-min *(Note 1)* | Interest of spouse | 328,150,000 | 74.86% |
| United Achievement Limited *(Note 2)* | Beneficial owner | 25,020,000 | 5.71% |
| Warburg Pincus & Co. *(Note 2)* | Interest of corporation controlled by the substantial Shareholder | 25,020,000 | 5.71% |
| Warburg Pincus Partners LLC *(Note 2)* | Interest of corporation controlled by the substantial Shareholder | 25,020,000 | 5.71% |
| Warburg Pincus Private Equity X, L.P. *(Note 2)* | Interest of corporation controlled by the substantial Shareholder | 25,020,000 | 5.71% |
| Warburg Pincus X, L.P. *(Note 2)* | Interest of corporation controlled by the substantial Shareholder | 25,020,000 | 5.71% |
| Warburg Pincus X, LLC *(Note 2)* | Interest of corporation controlled by the substantial Shareholder | 25,020,000 | 5.71% |

* as at 31 December 2022

*Notes:*

1. Madam Zhou Shao-min is the spouse of Mr. Shao. She is deemed to be interested in the Shares held by Mr. Shao under the SFO.

2. According to the corporate substantial shareholder notice of Warburg Pincus & Co. dated 23 May 2011, United Achievement Limited is 96.9% controlled by Warburg Pincus Private Equity X, L.P., which is ultimately wholly controlled by Warburg Pincus & Co. through Warburg Pincus Partners LLC, Warburg Pincus X, LLC and Warburg Pincus X, L.P., all being directly and indirectly wholly controlled by Warburg Pincus & Co.. For the purpose of the SFO, each of Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus X, LLC, Warburg Pincus X, L.P. and Warburg Pincus Private Equity X, L.P. is deemed to be interested in the shares beneficially owned by United Achievement Limited.

Save as disclosed above, as at 31 December 2022, the Directors were not aware that there were any persons (not being the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## SHARE OPTION SCHEME

The share option scheme (the "Expired Scheme") was conditionally adopted by a resolution in writing passed by the then sole Shareholder on 24 August 2009. The Expired Scheme has expired on the tenth anniversary of such adoption date. Under the Expired Scheme, the Directors may grant options to subscribe for the Shares to eligible participants, including without limitation employees of the Group, Directors and its subsidiaries. No share option was granted, exercised, cancelled or had lapsed under the Expired Scheme during the Year. No share option was outstanding under the Expired Scheme as at 31 December 2022. Following the expiry of the Expired Scheme, no further share option may be or has been granted thereunder.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

None of the Directors (including their spouses and children below 18 years of age) had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company during the year ended 31 December 2022.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

### Investment in online search services held by Mr. Shao

As at 31 December 2020, Mr. Shao, an executive Director and the controlling Shareholder, held about 6.4% equity interest in a company (the "Online Search Company") incorporated in Beijing, the PRC. As at 31 December 2021 and as at 31 December 2022, Mr. Shao held less than 5% equity interest in the Online Search Company. The Online Search Company has been principally engaged in the business of operating an internet platform of open community in the form of a network of community members asking and answering questions with high-quality contents generated by users and shared across multiple knowledge domains. He is not in control of such company. Mr. Shao made investments in the said business before the Group's commencement of the digital media business.

As the Group's digital media business currently focuses on online advertising and publication of multiple digital media products, the Directors believe that the business of the Online Search Company currently does not compete with the Group's business. If there is any change in the future, the Company would discuss with (if necessary) Mr. Shao on his ceasing to hold or disposing of such investment.

Save as disclosed above, none of the Directors has any interest in a business which competes or is likely to compete with the business of the Group during the Year.

The independent non-executive Directors have reviewed the compliance with and enforcement of the terms of the non-competition undertakings by Mr. Shao. Based on, among other matters, the annual confirmation from Mr. Shao to the Company on compliance with the terms of the above non-competition undertaking, the Directors (including the independent non-executive Directors) consider that the above non-competition undertakings were complied with and enforced during the Year.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the paragraph headed "Connected Transactions" and "Continuing Connected Transactions" below and elsewhere in this annual report, no transaction, arrangement or contract of significance subsisted during or at the end of the Year in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly.

## DIRECTORS' SERVICE CONTRACTS

No Director proposed to be re-elected at the forthcoming annual general meeting of the Company has an unexpired service contract with the Group, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## PERMITTED INDEMNITY PROVISION

Pursuant to article 188 of the Articles, every Director is entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of the duties of his office or otherwise in relation thereto (except such is incurred or sustained through his own fraud or dishonesty). Such provision is currently in force and was in force throughout the year ended 31 December 2022.

The Company has taken out and maintained directors' liability insurance throughout the year ended 31 December 2022, which provides appropriate cover for the Directors.

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existing during the Year.

## CONNECTED TRANSACTIONS

Certain connected transactions took place during the year ended 31 December 2022 and/or subsisted as at 31 December 2022:

## Contractual Arrangements

### 2009 Arrangements

Certain transactions entered into by us constituted non-exempt continuing connected transactions under the Listing Rules but they have been the subject of waiver granted to the Company by the Stock Exchange subject to compliance of certain conditions. Such series of contracts entered into by, among others, 現代傳播(珠海)科技有限公司(Modern Media (Zhuhai) Technology Co., Ltd. ("Zhuhai Technology")), Mr. Shao and the PRC Operational Entities (as defined in the prospectus of the Company dated 28 August 2009 (the "Prospectus")) (the "Contractual Arrangements") serve the purpose of providing the Group with effective control over the PRC Operational Entities to which the Group does not have direct shareholding, and to effectively transfer the economic benefits and pass the risks associated therewith of the PRC Operational Entities to the Company. The 2009 Arrangements include:

(a) management and consultation services agreements dated 24 August 2009 and entered into between Zhuhai Technology and (i) Guangzhou Modern Information, Guangzhou Modern Books, Zhuhai Yinhu and Zhuhai Modern Zhimei (collectively the "Publishing and Investment Holding Entities"); (ii) Shanghai Gezhi, Beijing Yage Zhimei, Shenzhen Yage Zhimei and Guangzhou Yage (collectively the "Sales Entities"); (iii) Shanghai Yage and Beijing Yage (collectively the "Production Entities"), pursuant to which the PRC Operational Entities have engaged Zhuhai Technology on an exclusive basis to provide consultation services in the management, sales and marketing, enterprise management and other supporting services in connection with the PRC Operational Entities' business. In return, each of the PRC Operational Entities agrees to pay to Zhuhai Technology fees on an annual basis in arrears. Fees payable to Zhuhai Technology by the PRC Operational Entities are equivalent to the total revenue less all the related costs, expenses and taxes of the respective PRC Operational Entities, as audited by such certified public accountants of the PRC. Such management and consultation services agreements became effective when it was executed on 24 August 2009 and would remain effective for a perpetual term;

(b) equity pledge agreements dated 24 August 2009 and entered into between Zhuhai Technology and (i) Mr. Shao; (ii) Mr. Shao and Guangzhou Modern Information; (iii) Zhuhai Yinhu; (iv) Zhuhai Modern Zhimei; (v) Guangzhou Modern Information and Guangzhou Modern Books, the payment of consultations services fees to Zhuhai Technology under the above management and consultation services agreements is secured in that Zhuhai Technology is entitled to exercise its rights to sell the pledged equity interests on occurrence of any non-payment of such fees. Furthermore, Zhuhai Technology is entitled to all dividends derived from the pledged equity interests in the PRC Operational Entities. The Equity Pledge Agreements become effective when it was executed on 24 August 2009;

(c) business operation agreements dated 24 August 2009 entered into between Zhuhai Technology and (i) Mr. Shao and the Publishing and Investment Holding Entities; (ii) Zhuhai Modern Zhimei and the Sales Entities; (iii) Guangzhou Modern Information, Guangzhou Modern Books and the Production Entities, under which no material business transaction can be entered into by the PRC Operational Entities without the prior written consent of Zhuhai Technology. Furthermore, the PRC Operational Entities shall appoint individuals as nominated by Zhuhai Technology to be their directors and key management as and when Zhuhai Technology sees fit. Zhuhai Technology or its nominees is entitled to exercise their rights as if they were the Shareholder of the PRC Operational Entities. Any dividend and/or capital gain derived from the equity interests in the PRC Operational Entities shall also be paid to Zhuhai Technology. The business operation agreements became effective when it was executed on 24 August 2009 and will remain effective for a perpetual term;

(d) option agreements dated 24 August 2009 entered into between Modern Media (HK) and (i) Mr. Shao and the Publishing and Investment Holding Entities; (ii) Zhuhai Modern Zhimei and the Sales Entities; (iii) Guangzhou Modern Information, Guangzhou Modern Books and the Production Entities, pursuant to which Modern Media (HK) was granted options to acquire the entire equity interest in the PRC Operational Entities at nil consideration or the minimum amount as permitted by the applicable PRC laws. Such option agreements became effective when it was executed on 24 August 2009 and will expire on the date on which all the equity interests in the PRC Operational Entities are transferred to Modern Media (HK) and/or its nominees;

(e) proxy agreements dated 24 August 2009 entered into between Zhuhai Technology and (i) Mr. Shao and Guangzhou Modern Information; (ii) Mr. Shao and Zhuhai Modern Zhimei; (iii) Mr. Shao, Guangzhou Modern Information and Guangzhou Modern Books, which authorise the Group to exercise its rights in the PRC Operational Entities as if it were the ultimate beneficial owner of the PRC Operational Entities. Such proxy agreements become effective when it was executed on 24 August 2009 and will remain effective during the term of the business operation agreements set out above; and

(f) trademark transfer agreement dated 24 August 2009 entered into between Zhuhai Technology and Guangzhou Modern Information to grant an option to Zhuhai Technology to acquire certain trademarks in relation to the PRC Magazines and its business at a nominal consideration or such minimum amount required by the PRC law. The trademark transfer agreement became effective when it was executed on 24 August 2009 and will remain effective for a perpetual term.

### 2011 Arrangements

The following connected transaction (the "2011 Arrangements", collectively with the 2009 Arrangements, the "Contractual Arrangements") was entered into by the Group in September 2011. For more details, please refer to the announcement of the Company dated 21 September 2011 (the "2011 Announcement").

On 20 September 2011, the Group, through its wholly owned subsidiaries, entered into the 2011 Contractual Agreements (as shown below) with Mr. Shao (a Director and substantial Shareholder of the Company), the Target Company (as defined below) and other relevant parties, pursuant to the arrangements contemplated under such 2011 Contractual Agreements, the Group would effectively obtain the control over the financial and operational policies and decisions of the Target Companies at a consideration of RMB18,000,000 (approximately HK$21,600,000). The 2011 Arrangements include:

(a) the equity pledge agreements dated 20 September 2011 and entered into between (among others) Mr. Shao, 雅致美資訊諮詢(深圳)有限公司(Yazhimei Information Consultation (Shenzhen) Co., Ltd.* ("Yazhimei")), 上海森音信息技術有限公司(Shanghai Senyin Information Technology Co., Ltd.* ("SH Senyin", which was beneficially wholly owned by Mr. Shao), for guaranteeing the payment of the service fees under the management and consultation services agreements (as defined in (d) below);

(b) the option agreements dated 20 September 2011 and entered into between (among others) Mr. Shao, SH Senyin, 廣州現代移動數碼傳播有限公司(Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited* ("Guangzhou Xiandai", which was beneficially owned as to 95% by Mr. Shao, GZ Xiandai together with SH Senyin are collectively referred to as "Target Companies")) and Modern Mobile Digital Media Company Limited ("MM Mobile Digital"), pursuant to which MM Mobile Digital has been granted options to acquire, directly or through one or more nominees, the entire equity interest in the Target Companies at nil consideration or the minimum amount as permitted by the applicable PRC laws;

(c) business operation agreements dated 20 September 2011 and entered into between (among others) Yazhimei, GZ Xiandai, Mr. Shao and SH Senyin, pursuant to which the Target Companies have undertaken not to enter into any material business transaction without the prior written consent of Yazhimei and to appoint individuals as nominated by Yazhimei to be the directors and key management of the Target Companies;

(d) the management and consultation services agreements dated 20 September 2011 and entered into between (among others) Yazhimei, GZ Xiandai and SH Senyin, pursuant to which the Target Companies will engage Yazhimei on an exclusive basis to provide enterprise management consultation services and other services in connection with the business services of the Target Companies; and

(e) the proxy agreements dated 20 September 2011 entered into between (among others) Yazhimei, Mr. Shao and SH Senyin, pursuant to which Mr. Shao is authorised to exercise the Shareholders' rights in each of the Target Companies including attending Shareholders' meeting and exercising voting rights (as long as Mr. Shao remains as the Chairman of Yazhimei).

### 2015 Arrangements

On 10 July 2015, the Group, through its wholly owned subsidiaries, entered into the 2015 Agreements (as shown below), collectively with the 2009 Arrangements and the 2011 Arrangements (the "Contractual Arrangements"), with Mr. Shao (a Director and substantial Shareholder), Guangzhou Xiandai, Linkchic (Beijing) Network Technology Co., Ltd* (每城美客(北京)網科技有限公司) ("Linkchic") and Guangzhou Modern Video Media Co., Ltd* (廣州摩登視頻傳媒有限公司) ("Guangzhou Modern Video") (Linkchic and Guangzhou Modern Video, collectively, the "Target Subsidiaries", as defined in the 2015 Annual Report dated 14 March 2016 (the "2015 Annual Report")). The 2015 Arrangements include:

(a) the equity pledge agreements dated 10 July 2015 and entered into between Yazhimei and Guangzhou Xiandai for guaranteeing the payment of the service fees under the management and consultation services agreements (as defined in (d) below);

(b) the option agreements dated 10 July 2015 and entered into between MM Mobile Digital, Guangzhou Xiandai and the Target Subsidiaries, respectively, pursuant to which MM Mobile Digital has been granted options to acquire, directly or through one or more nominees, the entire equity interest in the Target Subsidiaries at nil consideration or the minimum amount as permitted by the applicable PRC laws;

(c) business operation agreements dated 10 July 2015 and entered into between Yazhimei, Guangzhou Xiandai and the Target Subsidiaries, pursuant to which the Target Subsidiaries have undertaken not to enter into any material business transaction without the prior written consent of Yazhimei and to appoint individuals as nominated by Yazhimei to be the directors and key management of the Target Subsidiaries;

(d) the management and consultation services agreements dated 10 July 2015 and entered into between Yazhimei and the Target Subsidiaries, pursuant to which the Target Subsidiaries will engage Yazhimei on an exclusive basis to provide enterprise management consultation services and other services in connection with the business services of the Target Subsidiaries; and

(e) the proxy agreements dated 10 July 2015 entered into between Yazhimei, Mr. Shao and Guangzhou Xiandai, pursuant to which Mr. Shao is authorised to exercise the Shareholders' rights in each of the Target Subsidiaries including attending Shareholders' meeting and exercising voting rights (as long as Mr. Shao remains as the Chairman of Yazhimei) ((a) to (e), collectively the "2015 Arrangements").

The Target Subsidiaries are wholly-owned subsidiaries of Guangzhou Xiandai and their economic benefits as well as the risks associated therewith have already been transferred to the Company under the 2011 Arrangements (or, as the case maybe, since being acquired by Guangzhou Xiandai). The 2015 Arrangements have similar terms in substance with those stated in the 2011 Arrangements. Our PRC legal adviser is of the view that entering into the 2015 Arrangements would further strengthen the Group's management control over the Target Subsidiaries.

As at 31 December 2022, there were in total 13 operating companies established in the PRC ("OPCOs" and each an "OPCO"), including (i) 9 companies (the "Art Media OPCOs") which carried on the art media business, and (ii) 4 companies (the "Digital Media OPCOs") which carried on the digital media business.

## The Art Media OPCOs

The Art Media OPCOs comprise the following members of the Group: Guangzhou Modern Information, Guangzhou Modern Books, Zhuhai Yinhu, Zhuhai Modern Zhimei, Shanghai Yage, Beijing Yage, Shanghai Gezhi, Beijing Yage Zhimei and Shenzhen Yage Zhimei.

The Art Media OPCOs carry on the printed media business of the Group, which includes (i) design, production and agency services of various advertisements; (ii) wholesale and retail sale of the books, newspapers, periodicals edited and published in the PRC; (iii) planning of literary arts activities and exhibitions; and (iv) consultation services for books information, project planning, enterprise investment and economic information.

## The Digital Media OPCOs

The Digital Media OPCOs comprise the following members of the Group: Shanghai Senyin, Guangzhou Xiandai, (Shanghai Yizhi Advertising Co., Ltd.*, "Shanghai Yizhi") 上海意致廣告有限公司 and Modern Media Films.

The Digital Media OPCOs carry on the digital media business of the Group, which includes (i) information technology business; (ii) holding of a digital publishing license issued by the PRC Government; (iii) holding of a television programme production permit issued by the PRC Government; and (iv) design and production of advertisements, planning of cultural events and exhibition.

Except for Modern Media Films and Shanghai Yizhi, which are subsidiaries of Guangzhou Xiandai, each of the OPCOs was a party to the Contractual Arrangements.

## OPCO's significance and financial contribution to the Group

By means of the Contractual Arrangements, the Group is permitted to engage in the art media business and the digital media business in the PRC as set out above which foreign ownership in such PRC entities is restricted. The following table sets out the respective financial contribution of the (i) Art Media OPCOs and (ii) Digital Media OPCOs to the Group:

| | Significance and contribution to the Group | | |
|---|---|---|---|
| | **Revenue for the year ended 31 December 2022** | **Net Loss for the year ended 31 December 2022** | **Total assets as at 31 December 2022** |
| Art Media OPCOs | 9.07% | 59.35% | 20.78% |
| Digital Media OPCOs | 18.96% | 12.26% | 5.12% |

## Revenue and assets subject to the Contractual Arrangements

The table below sets out the OPCOs' (i) revenue; and (ii) total assets which are consolidated into the accounts of the Group pursuant to the Contractual Arrangements:

| | **Revenue For the year ended 31 December 2022** *RMB'000* | **Total assets As at 31 December 2022** *RMB'000* |
|---|---|---|
| Art Media OPCOs | 33,648 | 148,946 |
| Digital Media OPCOs | 70,306 | 36,675 |

## Reasons for using and risks associated with the Contractual Arrangements

Under the prevailing laws and regulations in the PRC, companies with foreign ownership are restricted from engaging in the publishing business and digital media business in the PRC. As such, the Company relies on the OPCOs to conduct certain parts of the Group's businesses in the PRC. The Company manages to maintain an effective control over the financial and operational policies of the OPCOs through the Contractual Arrangements which effectively transfer the economic benefits and pass the risks associated therewith of the OPCOs to the Company, and as a result, the OPCOs have been consolidated as subsidiaries of the Group.

The Board wishes to emphasise that the Group relies on the Contractual Arrangements to control and obtain the economic benefits from the OPCOs, which may not be as effective in providing operational control as direct ownership. The Company may have to rely on the PRC legal system to enforce the Contractual Arrangements, which remedies may be less effective than those in other developed jurisdictions. Any conflicts of interest or deterioration of the relationship between the registered holders of the equity interest in the OPCOs and our Group may materially and adversely affect the overall business operations of the Group. The pricing arrangement under the Contractual Arrangements may be challenged by the PRC tax authority. If the Group chooses to exercise the option to acquire all or part of the equity interests in any of the OPCOs under the respective option agreements under the Contractual Arrangements, substantial amount of costs and time may be involved in transferring the ownership of the relevant OPCO held by its registered holder(s) to the subsidiaries equity-owned by the Company. There can be no assurance that the interpretation of the Contractual Arrangements by the PRC legal advisers to the Company is in line with the interpretation of the PRC governmental authorities and that the Contractual Arrangements will not be considered by such PRC governmental authorities and courts to be in violation of the PRC laws. In addition, the PRC governmental authorities may in the future interpret or issue laws, regulations or policies that result in the Contractual Arrangements being deemed to be in violation of the then prevailing PRC laws.

Despite the above, as advised by the PRC legal advisers to the Company, the Contractual Arrangements are in compliance with and, to the extent governed by the PRC laws currently in force, are enforceable under, the current PRC laws. The Company will monitor the relevant PRC laws and regulations relevant to the Contractual Arrangements and will take all necessary actions to protect the Company's interest in the OPCOs.

### Material changes

Save as disclosed above, there has not been any material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 December 2022.

For any potential changes to the Contractual Arrangements, please refer to the paragraph headed "Deviation from the guidance letter issued by the Stock Exchange (HKEx-GL77–14) (the "Guidance Letter") (updated in August 2015 and April 2018)" below.

### Unwinding of the Contractual Arrangements

As of 31 December 2022, there has not been any unwinding of any Contractual Arrangements, nor has there been any failure to unwind any Contractual Arrangements when the restrictions that led to the adoption of the Contractual Arrangements are removed.

### Deviation from the guidance letter issued by the Stock Exchange (HKEx-GL77–14) (the "Guidance Letter") (updated in August 2015 and April 2018)

The Company noted that the Stock Exchange has issued the updated Guidance Letter in August 2015 and April 2018 to provide further guidance to listed issuers using contract-based arrangements to indirectly own and control any part of their business. Pursuant to the Guidance Letter, a listed issuer should ensure that where OPCO's shareholders are officers or directors of the issuer, the power of attorney under the contractual arrangement in relation to the exercise all shareholders' rights of OPCO should be granted in favour of other unrelated officers or directors of the issuer so as to avoid any potential conflicts of interests.

Under the Contractual Arrangements, Mr. Shao, being the registered equity holder of the OPCOs and an executive Director, is authorised to exercise the shareholders' rights in each of the OPCOs. The existing Contractual Arrangements have yet to sufficiently address the said requirement newly in place. Accordingly, the Company engaged its legal advisers as to the PRC laws to review the existing Contractual Arrangements and the Company may enter into supplemental agreements upon receiving advise from its legal advisers as to PRC laws and make further disclosure(s) as to any changes to the existing Contractual Arrangements.

The Contractual Arrangements allow the Company to consolidate the financial results of the OPCOs into the Group's consolidated financial statements as if they were the Group's wholly-owned subsidiaries. The Directors consider that the Contract Arrangements are fundamental to the Group's legal structure and business operations and are on normal commercial terms or terms more favorable to the Group and are fair and reasonable or to the advantage of the Group and are in the interests of the Shareholders as a whole.

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out from the date when the Contractual Arrangements became effective up to 31 December 2022 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the revenue generated by the OPCOs has been substantially retained by the relevant subsidiary of the Group; (ii) no dividends or other distributions have been made by the OPCOs to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to the Group; (iii) the terms of the transactions are on normal commercial terms and in the ordinary and usual course of business; and (iv) any new contracts entered into, renewed or reproduced between the Group and the OPCOs during the relevant financial period are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

### Other Connected Transactions during the Year

During the Year, the Group has entered into certain related party transactions as disclosed in Note 35 to the consolidated financial statements of this Annual Report. Save for the transactions relating to purchasing inventories from a Director, other related party transactions as disclosed in Note 35 to the consolidated financial statements of this annual report do not fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules. In relation to the related party transactions or continuing related party transactions falling under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules mentioned in this annual report, the Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the Year.

## CONTINUING CONNECTED TRANSACTIONS

The Company disclosed in its Prospectus, the 2011 Announcement and 2015 Annual Report that the Group entered into and will continue to carry out between members of the Group certain continuing connected transactions in respect of the Contractual Arrangements (the "Continuing Connected Transactions").

Transactions carried out under the 2009 Arrangements, the 2011 Arrangements and the 2015 Arrangements falls under the definition of "continuing connected transaction" under Chapter 14A of the Listing Rules and have complied with the reporting and announcement requirements during the Year. The Continuing Connected Transactions have been reviewed by the independent non-executive Directors, who has confirmed that the transactions have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms or better; and according to the agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole. The independent non-executive Directors have confirmed that no dividend or other distribution has been made by the PRC Operational Entities to the holders of their respective equity interests which are not otherwise subsequently assigned/ transferred to our Group pursuant to the Continuing Connected Transactions entered into under the relevant Contractual Arrangements.

In accordance with paragraph 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to perform procedures on the above Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA.

The auditor has confirmed that:

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed Continuing Connected Transactions have not been approved by the Board.

b. for transactions involving the provision of goods or services by the Group to the PRC Operational Entities (as defined in the Prospectus), the Target Companies (as defined in the 2011 Announcement) and the Target Subsidiaries (as defined in the 2015 Annual Report), nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the relevant terms of Contractual Arrangements as set out in the Prospectus, the 2011 Announcement and the 2015 Annual Report.

c. nothing has come to the auditor's attention that causes the auditor to believe that dividends or other distributions have been made by the PRC Operational Entities to the holders of their respective equity interests which are not otherwise subsequently assigned/transferred to the Group.

## EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2022, the Group had around 420 employees (2021: 414 employees). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employee benefits include provident fund, insurance and medical cover.

The Directors' and senior management's emoluments are determined by the Remuneration Committee, with reference to their duties, responsibilities and performance and the results of the Group and comparable market statistics, including the prevailing market rate for executives of similar position. The remuneration policy for our senior management is based on their experience, level of responsibility, length of service and performance.

Details of the Directors' and chief executives' remuneration and individuals with the highest emoluments in the Group are set out in note 12 of the consolidated financial statements of this annual report.

## PENSION SCHEME

The employees of the Group in the PRC participate in various social security plans enacted in China, which cover pension, medical and other welfare benefits. The Group is required to make contributions to the plans calculated based on a percentage of the monthly compensation of employees, subject to a certain ceiling, and are paid to the respective labour and social welfare authorities in accordance with the applicable PRC rules and regulations. The local government is responsible for the planning, management and supervision of the scheme, including collecting and investing the contributions, and paying out the pension to the retired employees.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The other employees are covered by other defined-contribution pension plans sponsored by local government.

There was no forfeited contribution under the scheme available for deduction of future contribution to be made by the Group. Accordingly, no forfeited contribution was utilised in the course of the year ended 31 December 2022, and as at 31 December 2022, there was no forfeited contribution available to reduce the Group's existing level of contributions to the scheme. The Group's contributions to retirement benefit schemes charged to profit or loss for the year ended 31 December 2022 were approximately RMB19,002,000. Details of the retirement benefits are set out in note 11 of the consolidated financial statements of this Annual Report.

The Group has no other material obligation for the payment of retirement benefits associated with the schemes beyond the contribution described above.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## CORPORATE GOVERNANCE

Throughout the year ended 31 December 2022, the Company continued to apply the principles set out in the CG Code as contained in Appendix 14 to the Listing Rules.

The Company is committed to maintaining a high standard of corporate governance. Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this annual report on pages 28 to 46.

## AUDIT COMMITTEE

The Company established the Audit Committee with terms of reference on 24 August 2009 in compliance with the CG Code set out in Appendix 14 to the Listing Rules. The Board has, on 25 December 2015, amended the terms of reference of the Audit Committee to be in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange. As at 31 December 2022, the Audit Committee comprises three independent non-executive Directors, namely Mr. Yick Wing Fat Simon (Chairman), Ms. Wei Wei and Mr. Wan Jie.

During the Year, the Audit Committee met from time to time to review the Company's draft interim and annual report and provided advice and comments thereon to the Company's Board of Directors, met with external auditors to discuss audit matters of governance interest that arise from the annual audit of the Company's financial statements. The Audit Committee has also reviewed the interim and annual results of the Group for the year ended 31 December 2022. Starting from 2015, the Audit Committee has also performed the duties as stated in the amended terms of reference of the Audit Committee, including reviewing the risk management system of the Group.

## TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained throughout the year ended 31 December 2022, the amount of public float as required under the Listing Rules.

## CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

## AUDITORS

Grant Thornton Hong Kong Limited ("Grant Thornton") resigned as the auditors of the Company with effect from 10 July 2020, as the Company and Grant Thornton could not reach an agreement on the audit fee for the financial year ended 31 December 2020. ZHONGHUI ANDA was appointed as the new auditors of the Company with effect from 10 July 2020. For further details, please refer to the announcement of the Company dated 10 July 2020 published on the website of the Company and the Stock Exchange.

The consolidated financial statements for the year ended 31 December 2022 have been audited by ZHONGHUI ANDA, which will retire and be eligible for reappointment. At the forthcoming annual general meeting, the Company will propose a resolution to re-appoint ZHONGHUI ANDA as auditor.

On behalf of the Board

**Shao Zhong**
*Co-Chairman*

Hong Kong, 27 March 2023

# *Biographical Details of Directors & Senior Management*

## EXECUTIVE DIRECTORS

**Mr. SHAO Zhong (邵忠),** aged 62, the Co-Chairman of the Board, the Chief Executive Officer of the Company and the Chief Content Officer of the Group, who is also the founder of our Group. Mr. Shao was initially appointed as a Director in March 2007, and was subsequently designated as the Chairman of the Board and an executive Director in July 2009. He was re-designated as a Co-Chairman of the Board on 16 February 2023. Mr. Shao was the Chief Executive Officer of the Company from September 2015 to November 2016, and he was again appointed as the Chief Executive Officer with effect from October 2017. Mr. Shao is responsible for the overall corporate strategies, policy-formulating, instilling corporate philosophy as well as strategic planning, development and expansion of the Group's new media businesses. Prior to founding our Group, Mr. Shao was formerly a PRC government official before 1989. Then, he also undertook senior positions in other publishing and media enterprises including a listed printing company in Hong Kong until 1999. Mr. Shao holds an EMBA degree from Tsinghua University of Beijing. His in-depth experience in the media and publication industries in the PRC earned him the nomination as one of Top 10 Media Leading Icon at China Media Forum in 2010.

**Ms. YANG Ying (楊瑩),** aged 47, was appointed as an executive Director from September 2015. Ms. Yang graduated from Shanghai Foreign Trade College (上海對外貿易學院) in July 1999, majored in Foreign Trade Economy and obtained her EMBA degree from a course jointly provided by Shanghai Jiao Tong University and Euromed Management Marseille in Shanghai in November 2013. Ms. Yang has more than 20 years' working experience in the Advertising, Marketing and Public Relationship. Ms. Yang worked for Swatch Group and The Wharf Holdings Limited after graduation. In 2000, Ms. Yang joined the Group as Marketing Director of its Shanghai Office and was further promoted as the Deputy General Manager. To broaden her publishing experience, Ms. Yang joined Vogue Magazine, China as Associate Publisher and Advertising Director from May 2005 to July 2009. In August 2009, Ms. Yang rejoined the Group as Shanghai Office General Manager to manage the sales and marketing and assisting the business development of the Group.

**Mr. LI Jian (李劍),** aged 47, was appointed as an executive Director from September 2015. Mr. Li joined the Group in September 2011 as the Deputy Publisher for "Bloomberg Businessweek 商業周刊中文版／China" and Deputy General Manager of the Group's operations in the Beijing region. He was promoted, in September 2012 and in February 2013 respectively, to the General Manager of the Beijing region and the Publisher for "Bloomberg Businessweek 商業周刊中文版／China", "Bloomberg Businessweek 商業周刊中文版" (Traditional Chinese edition) and the platform for mobile terminal of "Bloomberg Businessweek 商業周刊中文版". Prior to joining the Group, he had served in two international media companies and held various senior positions, such as the publisher for a number of media. Mr. Li was a pioneer in the digital publication and visual media industries and has accumulated 17 years of working experience in the media field. In the earlier years, Mr. Li had worked for internationally well-known consulting agencies. Mr. Li has gained extensive experience in cross-media operations from international media groups over the years, which will facilitate the Group in exploring and integrating cross-media platforms that will contribute to the development of business. He graduated from John Molson Business School, Concordia University of Canada with a bachelor's degree in Business in 2000.

# Biographical Details of Directors & Senior Management *(continued)*

**Mr. DEROCHE Alain, Jean-Marie, Jacques**, aged 61, was appointed as an executive Director from June 2016. Mr. Deroche joined our Group in June 2008 as Vice President and Publishing Director of the Group and has since been responsible for the management of our Group's international copyright business and the planning and content innovation for our Group's printed publications. Before his appointment as an executive Director, Mr. Deroche was the Publishing Director of two of our Group's international titles, namely "Numero" and "The Good Life", and was also the Co-publisher of "IDEAT". Mr. Deroche has extensive experience in international media management of the international media industry. Prior to joining our Group, Mr. Deroche was employed by Hachette Filipacchi Associes, a publishing house in France from September 1989 to June 2008. Immediately before he left the said entity, Mr. Deroche served as the general manager in charge of the publication in the PRC. He was also the publishing director for ELLE's international edition from 1999 to 2005. Mr. Deroche obtained his postgraduate degree in international business administration from Université de Paris-Dauphine (English translation: Paris Dauphine University) of France in October 1986.

## NON-EXECUTIVE DIRECTOR

**Dr. CHENG Chi Kong, Adrian (鄭志剛),** aged 43, is an honorary vice-chairman of and chief strategic advisor to the Group. Dr. Cheng has been appointed as a non-executive Director and a Co-Chairman of the Board with effect from 16 February 2023. Dr. Cheng was a non-executive Director from 1 April 2013 to 26 August 2017.

Dr. Cheng is an executive director, executive vice-chairman and chief executive officer of New World Development Company Limited (the "New World") (stock code: 17), chairman and non-executive director of Arta TechFin Corporation Limited (stock code: 279) and New World Department Store China Limited (stock code: 825), executive director of NWS Holdings Limited (stock code: 659) and Chow Tai Fook Jewellery Group Limited (stock code: 1929), all being companies listed on the Main Board of the Stock Exchange. He was a non-executive director of New Century Healthcare Holding Co. Limited (stock code: 1518), up to his resignation on 1 June 2022 and he was a non-executive director of Giordano International Limited (stock code: 709), until his resignation with effect from 1 December 2022, all being companies listed on the Main Board of the Stock Exchange. Dr. Cheng has launched New World's The Artisanal Movement since January 2015, and is currently overseeing the New World's large-scale developments including Victoria Dockside in Tsim Sha Tsui and Hong Kong International Airport SKYCITY complex "11 SKIES". In 2008, Dr. Cheng launched the K11 brand, a museum-retail complex that is at the nexus of art and commerce and has since extended K11's reach across retail, hospitality, offices and non-profit art education through K11 Art Foundation and K11 Craft & Guild Foundation. He also directs early-stage funding to start-ups and technology-driven platforms. Dr. Cheng is a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference of The People's Republic of China, the chairman of China Young Leaders Foundation, the honorary chairman of K11 Art Foundation and the vice chairman and group chief executive officer of CTF Education Group. He was the vice-chairman of the 11th and 12th committee of the All-China Youth Federation. He was acknowledged by Fortune as one of "40 Under 40" global business stars and a "Young Global Leader" by the World Economic Forum in 2012. Dr. Cheng is a Justice of Peace appointed by the Government of the Hong Kong Special Administrative Region since 2016 and was awarded the Silver Bauhinia Star in 2022. He was made an "Officier de l'Ordre des Arts et des Lettres" by the French Government in 2017, and an "Officier de l'Ordre National du Mérite" in 2022. Dr. Cheng holds a Bachelor of Arts Degree (cum laude) from Harvard University, and received the Honorary Doctorate of Humanities by the Savannah College of Art and Design in 2014. He was conferred an Honorary Fellowship by Lingnan University in 2014, and an Honorary University Fellowship by the University of Hong Kong in 2022.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. WEI Wei (魏蔚),** aged 53, was appointed as an independent non-executive Director in December 2020. Ms. Wei is a partner and the chairperson of Levy Gorvy Asia since October 2020. Prior to joining Levy Gorvy Asia, Ms. Wei served as the president and chairperson of Christie's Asia from May 2012 to January 2020. Prior to joining Christie's Asia, Ms. Wei worked with the consulting firm McKinsey & Company from September 1999 to January 2010, achieving the distinction of becoming their first female partner in Greater China. In 2017, she was named one of the Top 25 Power Women by "Tatler" Hong Kong Magazine.

**Mr. WAN Jie (萬捷),** aged 61, was appointed as an independent non-executive Director in May 2021. Mr. Wan has engaged in the business model innovation and practice of cultural industry for a long time, committed to the inheritance, protection and promotion of the Chinese Culture, and actively promoted the introduction and dissemination of worldclass splendid culture and arts. In 1993, Mr. Wan founded Artron (Culture) Group, and pioneered the business model of "covering the entire art industry chain with art data as the core and IT technology as the means" to build products and services covering the entire art industry chain, which has expanded from high-end art printing to internet art information service, art data service, art video and art education, making Artron the premier comprehensive cultural and art service institution in China and unique one all over the world.

**Mr. YICK Wing Fat Simon (易永發),** aged 64, was appointed as an independent non-executive Director in October 2019. Mr. Yick holds a bachelor's degree in Business Administration from the Chinese University of Hong Kong, majoring in Accounting. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants in England. Mr. Yick has over 39 years of experience in audit, direct investment, investment banking and corporate advisory services. In addition, Mr. Yick is an independent non-executive director and chairman of the audit committee of Shenzhen Neptunus Interlong Bio-technique Company Limited (Stock Code: 8329), Shanghai International Shanghai Growth Investment Limited (Stock Code: 770) and China Singyes Solar Technologies Holdings Limited (Stock Code: 750) (all of which are listed on the Stock Exchange). He also served as an independent non-executive director, the chairman of the remuneration and nomination committee and a member of the audit and compliance committee of Nexteer Automotive Group Limited (the shares of which are listed on the Main Board of Stock Exchange, Stock Code: 1316) from August 2017 to June 2022, and served as an independent non-executive director, the convener of the remuneration and appraisal committee and a member of the strategy committee of Chengdu Xinrong Environment Co., Ltd. (the shares of which are listed on the Shenzhen Stock Exchange, Stock Code: 000598.SZ) from August 2015 to August 2020. These companies are independent third parties of the Company and its connected persons.

# Biographical Details of Directors & Senior Management *(continued)*

## SENIOR MANAGEMENT

**Ms. ZHONG Yuanhong (鍾遠紅),** aged 51, the Administration and Production Controller of our Group and a member of the Environmental, Social and Governance Committee of the Company. Ms. Zhong, being one of the most senior employees of our Group, joined our Group in April 1998 and is responsible for the procurement, production and administrative management of our Group. Prior to joining our Group, she was an assistant to director in Ramada Pearl Hotel in Guangzhou for 3 years. Ms. Zhong completed her secondary education in Guangzhou No. 62 Middle School in June 1989. She has over 21 years of experience in administrative management, with a particular expertise in printing and the post production management of publications, in the media industry.

**Mr. LIM Timothy Edward (林添靈),** aged 48, joined our Group in February 2006 and is the Fashion Director of our Group responsible for the planning and development of the fashion aspects of the magazines. Prior to joining the Group, Mr. Lim was the fashion editor of The South China Morning Post in Hong Kong for 6 years. Further, Mr. Lim has contributed to a number of famous international fashion magazines including Elle, MarieClaire, Tank and Bazaar in the past. Mr. Lim obtained his bachelor's degree from McGill University in Canada in 1997. He has over 20 years of experience in international fashion news reporting and styling for advertising and professional fashion media.

**Mr. Henry NGAI Wai Tung (倪偉東),** aged 45, joined our Group on 1 June 2021 and is currently the Chief Financial Officer of the Group, responsible for the management of the entire financial system of the Group. Prior to joining the Group, he served as the Chief Financial Officer and vice president of Banyan Tree China and as a tax partner at KPMG China. With nearly 20 years of experience in financial management, Mr. Ngai is familiar with the business and cultural environments of Hong Kong and mainland China. In the past tenure, he has provided effective tax and business consulting for enterprises, and provided important suggestions and solutions for company development, tax planning, and investment and M&A projects.

**Ms. MA Li (馬驪),** aged 40, joined our Group in November 2009 and now is the Deputy Chief Financial Officer of the Group, responsible for the financial planning and analysis of the Group and all media business units. Apart from financial management, she is also responsible for internal controls and policy management for the Group. Prior to joining the Group, she had worked for PricewaterhouseCoopers as a senior auditor for over 5 years. She obtained her bachelor of management and bachelor of finance from Shanghai University of Finance and Economics. She is the member of The Institute of Internal Auditors and has over 15 years experience in finance and control management.

# Biographical Details of Directors & Senior Management *(continued)*

**Ms. ZHANG Kui (張葵),** aged 51, the Deputy Chief Financial Officer of the Group, Ms. Zhang joined our Group in March 2005, she is responsible for establishing the Group's financial management accounting system, formulating the financial system, financial accounting for the Group, and the formulation and implementation of tax planning. Before joining the Group, Ms. Zhang worked for domestic large state-owned enterprises, responsible for the financial work in the state-owned enterprises for more than 10 years. She has rich experience in finance management and tax planning. Ms. Zhang graduated from Jinan university with a bachelor's degree in management. She is a senior accountant, certified tax agent and obtained management institute of occupational qualification registered in China. She has more than 20 years of experience in the financial and tax management.

## COMPANY SECRETARY

**Ms. CHAN Sze Ting (陳詩婷)** *(ACG, HKACG)*, aged 41*,* has been appointed as the Company Secretary of the Company on 1 April 2020. Ms. Chan is a director of the corporate services division of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Ms. Chan has over 17 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multi-national, private and offshore companies. Ms. Chan is a Chartered Secretary (CS), a Chartered Governance Professional (CGP) and an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom. Ms. Chan holds a bachelor of arts degree from the Hong Kong Polytechnic University and a bachelor of laws degree from the University of London.

# *ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT*

## ABOUT THE ESG REPORT

The ESG Report is the seventh environmental, social and governance report (the "Report") published by the Group to help various stakeholders to understand the policies, measures and effectiveness of the Group in respect of the environment, social and governance issues. The Report is prepared in Chinese and English, both of which have been uploaded to the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Group's website (https://www.metamediahldg.com/).

## SCOPE OF THE ESG REPORT

The ESG Report reports the performance of the Group in terms of environmental, social and governance aspects during the financial year from 1 January 2022 to 31 December 2022 (the "Year") and continues to focus on the two segments of digital media platform and print media platform. The scope of the performance information disclosed in this year covers operating locations in Hong Kong, Shanghai and Guangzhou. The Group will regularly review the scope of the Report in accordance with the principle of materiality to ensure that investors and other stakeholders are provided with comprehensive and accurate information.

## REPORTING PRINCIPLES

The ESG Report is in compliance with the "comply or explain" provisions in Appendix 27 – "Environmental, Social and Governance Reporting Guide" (the "Guide") of the Listing Rules issued by the Stock Exchange. The Report has been prepared on the basis of four reporting principles set out in the Guide – Materiality, Quantitative, Balance and Consistency. A complete content index is appended in the last chapter hereof for easy comprehension of the Report according to the Guide.

| Reporting Principles | Definition | Response |
|---|---|---|
| Materiality | Focusing on environmental, social and governance issues which have significant impact on the Group and various stakeholders. | The members of the Board of Directors have identified material environmental, social and governance issues based on factors such as the nature of the Group's business and the expectations of stakeholders. |

| Reporting Principles | Definition | Response |
|---|---|---|
| Quantitative | Key performance indicators in respect of historical data need to be measurable. The issuers should set targets to reduce a particular impact. In this way, the effectiveness of environmental, social and governance policies and management systems can be evaluated and validated.<br><br>Quantitative information should be accompanied by a narrative explaining its purpose, impacts, and giving comparative data where appropriate. | The key performance indicators of the "social" component of the Group are sourced from the statistics of relevant departments. Moreover, in order to ensure the accuracy of the environmental Key Performance Indicators, the Group has commissioned a professional consultation company to conduct a carbon assessment in accordance with the guidances issued by the Environmental Protection Department of Hong Kong and the Electrical and Mechanical Services Department, and by reference to international standards such as ISO14064–1 and Corporate Accounting and Reporting Standards of GHG Protocol Standards.<br><br>Where applicable, the Group includes forward-looking statements in this Report, and the quantitative information is accompanied by descriptions and adopted standards, methods, assumptions and/or calculation tools. |
| Balance | The issuer shall present its performance impartially, and avoid the selection, omission or presentation format that may unduly influence the decision making or judgment of the readers of the Report. | The Group fully demonstrates the environmental, social and governance performance in the Report to avoid giving biased information. |
| Consistency | Consistent disclosure and statistical method shall be adopted by the issuer, in order to make the environmental, social and governance data available for meaningful comparison in the future. | The Group has prepared this Report in the same way as in previous years, and has ensured that the future environmental, social and governance data will be collected in a consistent way for comparison between the Year and previous years. |

## CONFIRMATION AND APPROVAL

The Group has established its internal monitoring and formal review procedures to ensure that the information presented in this ESG Report is accurate and reliable. This ESG Report was confirmed and approved by the Board on 27 March 2023.

## FEEDBACK

The Group values the opinions of stakeholders. If you have any questions or suggestions about the content or reporting form of this Report, you are welcome to contact Ms. Zhong, the person-in-charge of the environmental, social and governance working group of the Group through the following methods:

Address: 7th Floor, Global Trade Square, 21 Wong Chuk Hang Road, Aberdeen, Hong Kong
Email: hk@metamedia.com.hk
Tel: (852) 2250 9188
Fax: (852) 2891 9719

## SUSTAINABILITY GOVERNANCE

The Group is well aware that an effective governance framework for sustainable development may effectively improve the performance in environment, social and governance aspects, resulting a long-term success. Therefore, the Group has set up the following sustainable development governance structure to practice the sustainable development of the Company from top to bottom:

| Regulatory functions | Regulatory content |
|---|---|
| Board of Directors | To supervise matters related to the sustainable development of the Group. |
| Environmental, Social and Governance Committee | To formulate and implement relevant policies and strategies, set key performance indicators and monitors the progress and final results, and review and amend relevant policies to ensure the implementation effectiveness. The Committee currently comprises Mr. Shao Zhong, the Executive Director (Chairman of the Committee), Mr. Wan Jie, the Independent Non-executive Director, and Ms. Zhong Yuanhong, the senior management member, and at least one meeting is convened every year. |
| ESG working group | To identify and assess the risks faced by the Group, and design, apply and monitor effective internal control system meeting minutes. The working group consists of management personnel from the finance department, administration department and human resource department, and at least one meeting is convened every year. |
| Respective functional departments | To practice the Company's ESG policy and provide feedback to the ESG working group. |

## RISK MANAGEMENT

Risk management is crucial to maintaining the Group's long-term operational capability. The Group takes compliance operation as its risk management basis and establishes an internal control system to manage financial, operational, compliance and risk management issues. The management is responsible for identifying and assessing the risks encountered by the Group, and designing, applying and monitoring effective internal control system.

The Board of Directors comprehensively analyzes and studies both the current domestic and international economic and industrial situation, and prudently analyzes the possible risks in combination with the operating performance in 2021, the strategy for 2022 and the actual current operation of the Company, and carefully plans the future development strategy. During the reporting period, the risks faced by the Group were mainly due to the repeated outbreaks of the COVID-19 cases, which affected the overall economic development and normal operation of the Group to a certain extent.

The Group ranks the risks based on their impact on operating profit, cash flow and social reputation, and convenes a Board meeting once every quarter to review the operation of that current quarter and corrects deviation (if any) from the planned route in time.

The Group keeps pace with the times and continues to further expand the development of innovative business through resource integration and reorganization. By integrating graphic, digital and spatial experience, we create a new business model connecting online and offline integrated media platforms, and move towards a new era of metaverse in 2022, "Integrate art into life, reconstruct the society with technology", and strive to bring new opportunities and growth points to the Group.

## LAWFUL OPERATION

Lawful operation is the foundation for the Group to continue its operation at different regions. The Group is aware that regulation-violating behaviors will lead to relevant enforcement actions by regulators, and the Group has provided clear guidance to employees by reviewing working practice and compliance. The Group's business operations are regulated by different laws and regulations, including but not limited to those listed in the following table. Any violation of relevant laws and regulations may damage the reputation of the Group and have material adverse impact on its business, operating results or financial position.

| Level | The relevant laws and regulations that have a material impact on the Group | Management approach and compliance status |
|---|---|---|
| Emissions | The Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention Law of the People's Republic of China, the Air Pollution Prevention Law of the People's Republic of China, the Air Pollution Control Ordinance, the Waste Disposal Ordinance and the Motor Vehicle Idling (Fixed Penalty) Ordinance | The Group has formulated the Energy Conservation and Environmental Protection Management System of Companies to guide the management of environmental footprint.<br><br>During the Year, the Group did not violate the relevant laws and regulations that have a material impact on the Group. |
| Employment and labour standard | The Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Women's Rights and Interests, the Law of the People's Republic of China on the Protection of Minors, the Employment Ordinance, the Minimum Wage Ordinance, the Employees' Compensation Ordinance and the Employment of Young Persons (Industry) Regulations | The measures and guidelines specified in the Employee Handbook of the Group ensure that employees are aware of the policies on remuneration and dismissal, recruitment and promotion, working hours, holidays and other benefits and welfares. Moreover, the Group formulated the Policy Statement on Employment and Labor Practice to set out its commitment to employment standards.<br><br>During the Year, the Group did not violate the relevant laws and regulations that have material impact on the Group. |

| Level | The relevant laws and regulations that have a material impact on the Group | Management approach and compliance status |
|---|---|---|
| Health and safety | The Production Safety Law of the People's Republic of China, the Occupational Disease Prevention Law of the People's Republic of China, the Fire Prevention Law of the People's Republic of China and the Occupational Safety and Health Ordinance | The Group provides guidance in the Employee Handbook for office safety, office fire safety and personal safety of employees.<br><br>During the Year, the Group did not violate the relevant laws and regulations that have a material impact on the Group. |
| Product responsibility | The Product Quality Law of the People's Republic of China, the Copyright Law of the People's Republic of China, the Regulation on Internet Information Service of the People's Republic of China, the Law of the People's Republic of China on Protection of Consumer Rights and Interests, the Interim Measures for the Administration of Internet Advertising, the Cybersecurity Law of the People's Republic of China, the Advertising Law of the People's Republic of China and the Trade Descriptions Ordinance | The Group has formulated the Policy Statement on Product Responsibility, which makes corresponding commitments in product service quality, advertising management and marketing, consumer rights protection and privacy protection.<br><br>During the Year, the Group did not violate the relevant laws and regulations that have a material impact on the Group. |
| Anti-corruption | The Anti-Unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and the Prevention of Bribery Ordinance | The Employee Handbook of the Group stipulates the relevant policies and guidelines to prevent bribery, extortion, fraud and money laundering to ensure that employees are aware of the relevant principles and requirements.<br><br>During the Year, the Group did not receive any corruption lawsuits against the Group or its employees, nor did it violate the relevant laws and regulations that have a material impact on the Group. |

## STAKEHOLDERS AND MATERIALITY ASSESSMENT

The sustainable development of the Group depends on the cooperation with all stakeholders. Listening to the needs of stakeholders will help the Group incorporate the views of stakeholders into the Group's sustainable development strategies and policies, and contribute to its long-term development. The Group has a two-way dialogue with its stakeholders in its daily operations from time to time, which enables the Group to know what stakeholders are most concerned about in respect of its business.

| Major stakeholders | Communication methods |
|---|---|
| Board of Directors, management personnel, executive personnel and general staff | • Internal communication system<br>• Training courses<br>• Irregular staff activities<br>• Staff grievance procedures<br>• Regular meetings and interviews |
| Shareholders, investors, banks and government departments | • General meeting<br>• Annual/interim results announcements and reports<br>• Announcements and circulars<br>• Company website<br>• Press release<br>• E-mail and telephone |
| Suppliers | • Review and valuation<br>• On-site visit<br>• E-mail and telephone |
| Readers and customers | • Social media<br>• E-mail and telephone<br>• Community organization or other cooperative units<br>• Community service |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(continued)*

During the reporting period, through communications above with the stakeholders, the Group collected many potential issues related to ESG. We have categorized these issues into aspects according to the ESG Reporting Guide provided by the Stock Exchange and further collected more internal and external information of the Group with respect to these issues from the staff and professional consultants. We arrange for the management and staff of various departments of the Group to review the operation of the Group and identify relevant ESG issues in their functions. After careful analysis by the Board and the management and assessment of the importance and relevance of these ESG issues to our Group, the results of the materiality assessment are as follows:


| Environment | Employee |
|---|---|
| 1. Emission management | 6. Employee welfare |
| 2. Waste management | 7. Occupational health and safety |
| 3. Energy use | 8. Talent attraction and retention |
| 4. Water conservation | 9. Employee training |
| 5. Climate change | |

| Products | Community |
|---|---|
| 10. Product quality | 16. Community contribution |
| 11. Compliance operation | 17. Public welfare investment |
| 12. Intellectual property rights | |
| 13. Supply chain management | |
| 14. Anti-corruption | |
| 15. Customer data protection | |

## STRICTLY ABIDE BY BUSINESS ETHICS

Business ethics and integrity are essential for the Group and its long-term relationship with its business partners. The Group has stipulated relevant policies on preventing bribery, extortion, fraud and money laundering, guidelines on accepting gifts and other occupational code of conducts in the Employee Handbook (the "Handbook") to ensure that employees are aware of relevant principles and requirements.

To encourage employees to report dishonest behaviors, the Group has also set up whistle-blowing procedures, in which employees can report suspected cases directly to the top management. The Group will adhere to the principle of ethical operation to avoid and prevent any corruption in the Group in timely manner. In addition, the Group has always maintained close communication with business partners and suppliers to avoid improper and illegal activities.

In the future, the Group will maintain high ethical operating standards and strengthen internal system control. The Group will continue to provide anti-corruption training for directors and employees to enhance their integrity awareness and understanding of relevant laws.

## ESTABLISHING BRAND TRUST

As a new and innovative international composite media group, the Group aims to gain the trust of customers and readers through its products and services, and provide sufficient information for customers and readers to make informed choices. The Group formulated the Product Responsibility Policy Statement, and made corresponding commitments in product service quality, advertising management and marketing, consumer rights protection and privacy protection.

## CONTENT AND QUALITY

The Group is aware that the media has a far-reaching influence on the thoughts and even behaviors of readers and the public. As a content provider, the Group has the responsibility to provide high-quality content in an accurate and balanced manner.

The Group implements standardized editing processes and comprehensive quality control procedures. The Group has formulated the Requirements on Level Revision and Checkout of Publications to provide quality management guidelines for its published content, and set out the requirements and quality management principles for various publishing procedures (including revision, editing, design and communication with advertisement customer), for the purpose of ensuring accurate content.

In the review process, editors should pay attention to the orientation and ideological content, and carefully check the accuracy of the content, including numbers, units of measurement, telephone numbers, websites, English norms and names translated in Chinese, technical terms and expressions to avoid misleading readers. In addition, the Group has employed independent printers who hold ISO9000 qualification certificates or whose printing quality is recognized in the printing industry to print publications in Hong Kong and China.

| Review | Edit | Design | Communication with advertisement customers |
|---|---|---|---|
| • Proofreading content to ensure the accuracy of published text content, including their grammar and information | • Implementing the three level review work of "editor's preliminary review – chief editor's second review – general editor's final review"<br>• Ensuring the accuracy of the technical terms and figures of the content | • Designing and typesetting content and pictures to provide clear and easy-to-read typesetting for readers | • Communicating with advertisement customers and checking information and content |

During the Year, the Group did not have any cases of product recall due to violation of relevant consumer protection laws and regulations.

## CUSTOMER SERVICES

The Group's customers include two categories: advertisers and publishers. In order to enhance the Group's competitiveness in China's advertising business and better serve advertisement customers, the Group developed its own media management system, a customer information management system for organizing the Group's readership information. The system facilitates the circulation and sharing of information between various departments of the Group and among sales personnel, so as to improve the efficiency of negotiations with advertisers, and close communication with customers can reduce the complaints caused by misunderstandings. The Group also has a complaint channel, and customers can obtain the contact information of various branches through the Company's official website to lodge a complaint. The Group will conduct investigation and follow-up treatment according to the complaint content. During the Year, the Group did not receive any complaints on products or services.

## MAINTAINING INTELLECTUAL PROPERTY RIGHTS AND PRIVACY PROTECTION

As a responsible media communication group, the Group attaches importance to and safeguards intellectual property rights and privacy protection. The Group's Employee Handbook lists the rules for employees to handle commercially confidential information. The human resources department of the Group is responsible for training new employees on confidentiality knowledge. Employees in necessary positions are required to sign the Confidentiality and Non-competition Agreement to ensure that employees understand and abide by the guidelines provided by the group for company and customer privacy. The head of each department shall carry out confidentiality education for its employees and regularly check the confidentiality work. When any employee finds that the Company's confidentiality has been leaked or may be leaked, he/she shall take remedial measures immediately and report them to the president's office immediately.

The Group formulates the Product Responsibility Policy Statement and makes corresponding commitments in all aspects of customer privacy protection. When collecting, storing, using and transmitting customers' personal data, the Group respects their statutory privacy rights and takes sufficient measures to properly keep customers profile.

If an employee is found to have leaked secrets, the Group will immediately terminate his or her labor contract, and reserve the right to pursue the economic and legal liabilities of the parties concerned. At the same time, the joint liability of department heads and personnel shall be investigated. In the supplier contract, the Group requires mutual respect for each other's intellectual property rights and joint compliance with relevant national laws and regulations.

### Advertising Management Marketing

The Group's media business provides advertising services and platforms for advertisers. When selecting advertisers, the Group will conduct audits to ensure that advertisers comply with the Advertising Law of the People's Republic of China.

### Managing Sustainability of Supply Chain

The sustainable development of the Group depends on responsible suppliers. The Group's Policy on Suppliers Management and Standards for Selection of Printing Factory Suppliers and other policies and guidelines stipulate the Group's supplier management principles, supplier screening and ratings, etc. The six indicators provided by this policy for supplier selection are quality level, delivery capacity, price level, backup service, human resources and existing cooperation status. Through the coordination between such six indicators and the supplier screening process, suppliers that meet the requirements of the Group will be selected.

The major suppliers of the Group include printing factory suppliers and logistics service providers, and others include consumable supply, travel agency, marketing activities and labor intermediary services. During the Year, the Group cooperated with 2,031 suppliers. All the suppliers were screened according to the Policy on Suppliers Management and the Standards for Selection of Printing Factory Suppliers.

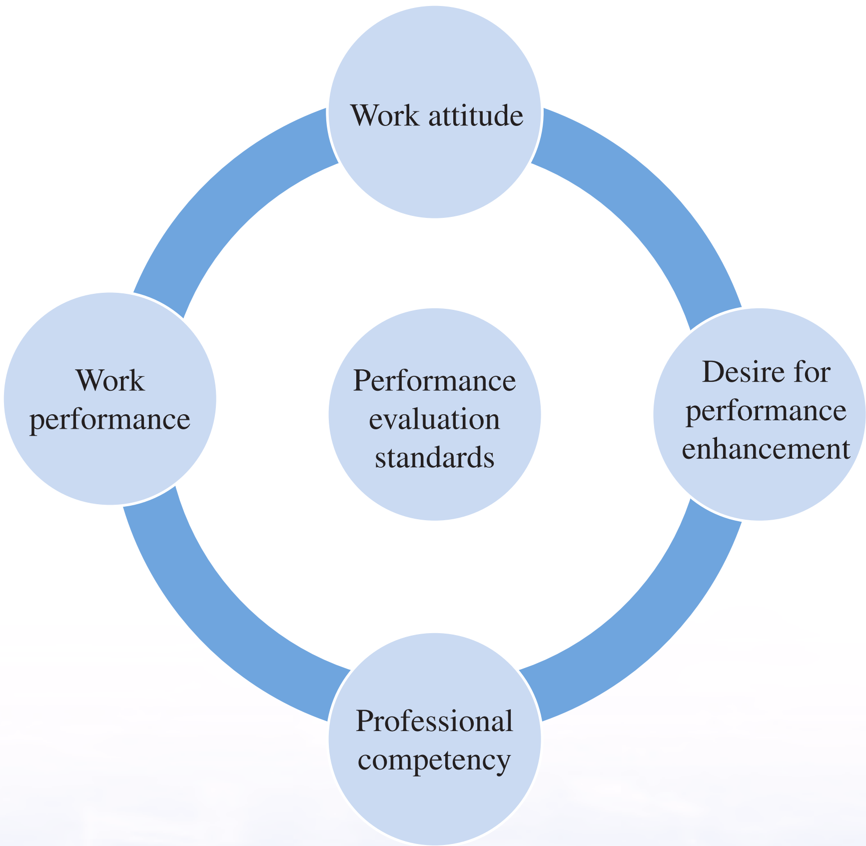
The Group's publishing is positioned as international, fashionable and high-grade, and the quality of printing and publishing is required to be exquisite and refined. Depending on the printing requirements of different publications, the Group will select different printing service suppliers and evaluate the printing suppliers once every two years. The evaluation contents cover product quality and service level, printing price, production capacity and delivery completion time, etc.

## BUILDING AN IDEAL WORKPLACE

### Cultivating and Developing Talents

Continuous development of employees' skills and knowledge is a key point for the Group's ability to maintain its competitiveness. The Group provides its employees with sufficient training opportunities to enhance their knowledge and skills required to perform their respective duties. Based on its business development and employees' performance, the Group transfers or promotes them to match the development of employees' professional expertise. The training provided by the Group in the past included induction training for new employees and job-related training for current employees, such as content creation, design and editing. During the Year, due to the impact of the COVID-19 pandemic, most of the training activities adopt the online centralized training mode, so the training hours and scale have increased significantly compared with last year.

In order to grasp the employees' performance and lead their growth, the Group has conducted regular or irregular evaluations on employees at different stages of their career, including probation evaluation, regular evaluation and annual evaluation. The Group conducts an annual assessment of its employees every year, and the criteria include work performance, ability, professional ethics and other factors. To maintain the fairness and transparency of the evaluation, the performance evaluation standards have been listed in the Employee Handbook. In addition, all departments of the Group actively communicate with employees, and formulate specific, measurable, feasible performance targets that are related to the work plan and have clear timeframe, so that employees can understand the expectations of the Group.



## Employment Management and Standard

The Group aims to attract, motivate and retain talents by improving employment management and standards. The Group understands that continuous communication with employees and establishment of a fair, mutual trust and respectful employment relationship are the key for enterprises to promoting sustainable development. The policies on remuneration and dismissal, recruitment and promotion, working hours, holidays and other benefits and welfares are set out in the Employee Handbook of the Group. In order to improve the employment management and standards of the Group, the Group formulated the Policy Statement on Employment and Labor Practice to show its commitment to equal opportunities, diversity, anti-discrimination, child labor and forced labor.

**Employment related policies**

| | |
|---|---|
| Remuneration and dismissal | The Group's employee compensation and welfare policies are formulated with reference to market standards. The employment terms, including remuneration, probation period and termination of employment contract, are stipulated in the employment contract and the Employee Handbook. |
| Recruitment and promotion | The Group has always adhered to the principle of meritocracy, implemented a fair recruitment and promotion system and adopted objective and reasonable criteria. Employees are evaluated annually for the decision of promotion. |
| Working hours, holidays | The Group provides reasonable working hours and rest time for its employees in accordance with the local laws and regulations. If employees need to work overtime, they need to obtain the prior consent of the management. The Group will provide compensation arrangements such as compensation leave afterwards.<br><br>In addition to statutory holidays, employees also enjoy paid annual leave, marriage leave, nursing leave and other holidays in accordance with their ranks and years of service. The Group also provides employees with children with no more than two half-day paid holidays per semester to facilitate their participation in school parent-teacher conferences. |

| Employment related policies | |
|---|---|
| Avoiding child labor and forced labor | The Group is aware that child labor and forced labor exploit workers' human rights and harm social interests. The Group has zero tolerance for child labor and forced labor, and is committed to eliminating child labor and forced labor in recruitment and daily operations. The Group's Policy Statement on Employment and Labor Practice stipulates that the Group will not employ child labor. Candidates must provide relevant identity documents for the Company to confirm that they have reached the age of 18. The Group also ensures that employment relationships are voluntary and will not employ forced labor, including guarantee (including debt guarantee) or contract labor, involuntary prison labor, abducted labor or slave labor. The Group does not accept any threats or cruel treatment of employees.<br><br>The Group has the right to let employees leave at its discretion and will not unfairly restrict the employment relationship between employees and the Group in any way. During the Year, the Group was not aware of any irregularities related to child labor or forced labor. |
| Grievance channels | In order to promote communication and cooperation between employers and employees, the Group has established a complaint and suggestion procedure for employees to make complaints and comments. |
| Equal opportunities, diversity, anti-discrimination | The Group upholds the equal rights of all employees. Regardless of the race, nationality, age, sex, marital status, religious belief, etc., the Group treats all employees equally. The Group's Policy Statement on Employment and Labor Practice states that the Group will strive to create a diversified working environment, an anti-discrimination and anti-harassment environment and enhance employees' awareness of equality. |

## Caring for Employee Health

Even though the Group's main workplace is an office, the related occupational safety risks are lower than those in other industries. In order to effectively protect employees' health and workplace safety, the Group has implemented two policies simultaneously. The first is to ensure the safety of the workplace and the second is to promote workplace safety culture. The Employee Handbook of the Group prescribes guidelines in the areas of office safety, fire protection and personal safety of employees, and procedures for handling work accidents, so that employees could understand the measures formulated by the Group for health and safety.

| Scope | Major measures |
|---|---|
| Office security | • Visitors entering the Group's office area shall be accompanied by employees |
| Fire safety | • Smoking is strictly prohibited in open offices |
| | • When using electrical equipment, it is necessary to prevent the wires from being overloaded |
| | • It is forbidden to store all kinds of inflammable and explosive articles in the office and rooms of the Company |
| | • No stocking up of goods in stairs, aisles and exits |

The Group actively promotes workplace safety culture. Green plants are placed in the offices of the Group to create a relaxing office environment for employees who focus on computer screens and words for a long period of time. In addition, the Group encourages employees to take breaks for exercise during work to avoid eye strain.

## Response to the COVID-19 pandemic

In the face of the persistent COVID-19 pandemic, the Group has taken a number of measures to deal with the challenges brought by the pandemic to the business operations, so as to protect the health and safety of employees and reduce the impact of the pandemic on the normal operations and development of the Group. The relevant counter measures are as follows:

- Set up temperature detection stations at the entrances and exits of workplaces to measure the body temperature of employees
- Require employees to wear masks during work
- Open windows regularly to keep air circulation in the workplace
- Disinfect office areas regularly, including office desks and chairs, desktops, door handles and toilets in public areas
- Disinfect conference rooms immediately after use
- Add ultraviolet lamps and arrange special personnel to disinfect the office area after work
- Implement telecommuting mechanism under specific circumstances
- The office is equipped with disinfectant alcohol and cotton balls for disinfection by employees
- Publish information in due course and maintain effective communication with employees

## MANAGEMENT OF ENVIRONMENTAL FOOTPRINT

Faced with climate change and different environmental challenges, the Group is aware of the responsibility of protecting the environment. Based on the nature of the Group's business activities, the Group's direct overall impact on the environment and natural resources mainly includes emissions and resource use. Although the Group considers the relevant impact to be insignificant, the Group is still committed to reducing the environmental impact of its operations.

In order to reduce the environmental impact caused by the publication and printing of magazines, the Group uses Forest Stewardship Council "FSC" certified papers to ensure that the papers used in magazines are not from endangered species or illegally cut trees.

In the future, the Group will actively and continuously explore the feasibility of implementing other sustainable development measures in magazine production and offices, and implement them to continuously reduce the Group's impact on the environment and natural resources.

### Climate Change and Greenhouse Gas

As the Paris Agreement took effect, climate change has become a global focus. Governments of various countries have begun to incorporate climate change actions into the national policy process. The Group is aware that climate change will bring certain impacts on its business, such as changes in laws and regulations as well as consumer behavior. The principal business place of the Group is the office, and extreme weather has little impact on the Company's operations. The main acute climate change, such as typhoon and rainstorm, may hinder employees' commuting and lead to the interruption of business. The Group always pays attention to the extreme weather information released by the state in time. After identifying an impending extreme weather, the Group will take timely countermeasures and arrange the working mode of employees in advance, so as to protect the safety of employees and prevent the interruption of business. In the future, the Group will review the current environmental policies, consider adding climate issues that have a significant impact on the Group, and respond more comprehensively and effectively to the pressures and opportunities brought by various environmental problems.

The Group is also aware that greenhouse gas emission is a contributing factor of climate change and has taken a series of measures to reduce carbon footprint during its operations, including advocating the reduction of the use of vehicles, encouraging employees to take public transport to get to destinations while maintaining efficiency, ensuring the refueling of the Company's vehicles at regular service stations, regularly check of vehicles and replacement of parts, and giving priority to new energy vehicles if there is a need to purchase a new car.

The Group continuously monitors the performance of greenhouse gas emissions, and quantifies the greenhouse gas emissions (or the "carbon emissions") generated by the Group's operations. The quantification process is carried out with reference to: 1. the guidelines prepared by Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong, 2. the guidelines issued by Shanghai Municipal Development and Reform Commission, 3. The guidelines issued by Guangdong Provincial Development and Reform Commission and 4. international standards such as ISO14064–1.

**Performance results: Total and density of greenhouse gas (GHG) emissions**

| Environmental Key Performance Indicators | Unit | Total | | Hong Kong | | Shanghai | | Guangzhou | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Scope 1 | t $CO_2$e | 34.55 | 45.26 | 0.00 | 0.00 | 14.85 | 22.01 | 19.70 | 23.25 |
| Scope 2 | t $CO_2$e | 261.68 | 313.09 | 36.02 | 38.42 | 194.27 | 205.24 | 31.39 | 69.43 |
| Scope 3[1] | t $CO_2$e | 177.85 | 218.95 | 0.78 | 2.57 | 169.28 | 210.58 | 7.80 | 5.80 |
| Total GHG emissions | t $CO_2$e | 474.09 | 577.30 | 36.80 | 40.99 | 378.40 | 437.83 | 58.89 | 98.48 |
| GHG density (calculated per floor area) | t $CO_2$e/sq. m | 0.07 | 0.09 | 0.04 | 0.05 | 0.08 | 0.10 | 0.05 | 0.13 |

Compared with 2021, the overall total GHG emissions and GHG density decreased by 18% and 22% respectively, reflecting the good results of existing environmental policies. The Group will continue to evaluate and record emissions data and conduct regular reviews to judge the effectiveness of the environmental policies. In the future, the Group will further improve the environmental data system as the basis for formulating environmental policies and measures.

## Resource Management

Consumption of resources of the Operating Spots of the Company are mainly purchased electricity, water resources and paper use. The Group has established a series of energy saving measures for the offices to improve energy efficiency and avoid waste of resources.

## Energy management

The Group's major energy saving measures for office are as follows:

**Energy saving measures for office**

Power consumption

- Maximum use of natural light during daytime and reduce use of lighting equipment
- Encouraging the use of LED bulbs and reducing the usage of incandescent lamps
- Turning off the lights in the office after using the meeting rooms and after work
- Paying attention to energy saving concerns of computer, e.g. turning off the computer and the screen after work and enabling sleep mode when the computer is not in use for a short period of time
- Avoiding too high or too low temperature of air conditioners, the temperature of the air conditioning system should be kept at about 26 degrees in summer, and it can be adjusted to about 20 degrees in autumn and winter
- When using air conditioning, keep doors and windows closed to reduce energy consumption.

1 Scope 3 indirect emissions in Hong Kong include emissions from waste paper disposal caused by printing paper printed matter, greenhouse gas emissions from water use and sewage discharge, and emissions from employees traveling abroad by air. Scope 3 indirect emissions in Shanghai and Guangzhou only include emissions caused by employees traveling abroad by air.

**Performance results: Total direct/indirect energy consumption and density by type**

| Environmental Key Performance Indicators | Unit | Total | | Hong Kong | | Shanghai | | Guangzhou | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Direct energy-gasoline | megawatt-hours | 150.72 | 197.44 | 0.00 | 0.00 | 64.78 | 96.01 | 85.94 | 101.43 |
| Indirect energy-electricity | megawatt-hours | 428.07 | 554.04 | 92.37 | 103.85 | 276.15 | 336.40 | 59.55 | 113.80 |
| Total energy consumption | megawatt-hours | 578.79 | 751.48 | 92.37 | 103.85 | 340.93 | 432.41 | 145.49 | 215.23 |
| Energy density (calculated per floor area | megawatt-hours/ sq. m | 0.09 | 0.12 | 0.10 | 0.11 | 0.08 | 0.10 | 0.13 | 0.28 |

Compared with 2021, the total energy consumption and energy density of this year decreased by 23% and 27% respectively. Due to the repeated outbreaks of the COVID-19 cases and lockdowns in some areas, the use of vehicles and office equipment has been reduced. At the same time, some new-leased offices in Guangzhou were put into use in November 2022. Given the above factors, the total energy consumption and density both decreased this year.

The Group plans to complete the upgrade of air conditioning and power systems to achieve energy conservation and clean air in the working environment where feasible.

## Water Use Management

The water consumed by the Group in the offices are mainly for general use, and the water supplies are managed by the property management companies at the various operating locations. There are no difficulties for the Group to find the water resources (including water consumption and quality) required for the operation of its business. Since water use has no material impact on the business of the Group, no target has been set for water use efficiency. However, the Group is required to minimise the use of water resources while ensuring hygiene and epidemic prevention requirements, and has always encouraged staff to conserve water.

**Performance results: Total water consumption and density**

| Environmental Key Performance Indicators | Unit | Total | | Hong Kong | | Shanghai | | Guangzhou | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Total water consumption | cu. m | 640.53 | 940.07 | 1.82 | 89.07 | 635.71 | 849.00 | 3 | 2 |
| Water consumption density (calculated per floor area) | cu. m/sq. m | 0.10 | 0.15 | 0.00 | 0.10 | 0.14 | 0.19 | <0.01 | <0.01 |

As compared with 2021, the overall water consumption decreased by 32%, mainly due to the impact of the COVID-19 pandemic and lockdown in various areas, leading to the decrease in water consumption.

## Pollution Prevention

### Emission Management

The air pollutant emissions of the Group are all derived from vehicle emissions of NOx, sulfur oxides and inhalable particulate matters. Diesel vehicles are not used in all the operating locations of the Group to reduce exhaust emissions. The Group will continuously work on reducing the air pollutants emitted by vehicles, and promote good vehicle maintenance and environmental protection driving habits.

**Performance results: Emissions category and related data**

| Environmental Key Performance Indicators | Unit | Total | | Hong Kong | | Shanghai | | Guangzhou | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Nitrogen oxides | kg | 10.40 | 18.73 | 0.00 | 0.00 | 1.57 | 2.99 | 8.83 | 15.74 |
| Sulfur oxides | kg | 1.13 | 1.48 | 0.00 | 0.00 | 0.49 | 0.72 | 0.64 | 0.76 |
| Inhalable particulate matters | kg | 0.65 | 1.03 | 0.00 | 0.00 | 0.15 | 0.26 | 0.50 | 0.77 |

As compared with 2021, the overall emissions of nitrogen oxides, sulfur oxides and inhalable particulate matters decreased by 44%, 24% and 37% respectively, mainly due to the impact of the COVID-19 pandemic and lockdown in certain areas, leading to the decrease in the number of kilometers of travelling in the Year.

## Management Of Waste

The hazardous wastes generated by the Group are office consumables and waste equipment, such as waste batteries and waste fluorescent lamps. Relevant hazardous wastes will be collected in a unified manner and handed over to professional contractors for treatment. Harmless waste mainly includes domestic garbage, waste paper and so on. The Group actively promotes the paperless policy, with the main measures as follows:

- Replace the traditional high paper consumption process with electronic system, and replace fax machine communication with email and other means
- Encourage reuse of waste paper and envelopes
- Implement waste paper recycling and classification in the office, and then deliver them to waste paper companies for centralized handling

In the future,, the Group will encourage employees to make good use of resources and reduce waste, such as promoting paperless office, waste paper recycling and encouraging employees to bring their own tableware.

**Performance results: Total amount and density of hazardous wastes and harmless wastes**

| Environmental Key Performance Indicators | Unit | Total 2022 | Total 2021 | Hong Kong 2022 | Hong Kong 2021 | Shanghai 2022 | Shanghai 2021 | Guangzhou 2022 | Guangzhou 2021 |
|---|---|---|---|---|---|---|---|---|---|
| Total amount of hazardous waste generated | tonnes | 0.02 | 0.02 | 0.00 | 0.00 | 0.01 | 0.01 | 0.01 | 0.01 |
| Density of hazardous waste (calculated per floor area) | tonnes/ sq. m | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total amount of non-hazardous waste produced | tonnes | 33.01 | 39.36 | 1.00 | 0.73 | 32.00 | 38.40 | 0.01 | 0.23 |
| Density of non-hazardous waste (calculated per floor area) | tonnes/ sq. m | 0.01 | 0.01 | 0.00 | 0.00 | 0.01 | 0.01 | 0.00 | 0.00 |

The total amount and density of hazardous wastes were at extremely low levels for two years. During the Year, due to the impact of the COVID-19 pandemic, most employees worked from home, and the relevant domestic waste in the office was reduced.

In order to reduce the generation of waste, the Group has taken measures to actively reduce the use of batteries and cease purchasing fluorescent lamps.

### Goal Setting

"Low-carbon, environment friendly and green office" has always been the concept advocated by the Group. In line with the national target of carbon peaking in 2030 and carbon neutrality in 2060, the Group has established its Energy Conservation and Environmental Protection Management System to guide the management of environmental footprint. However, considering that our business does not involve major emissions, energy use, water consumption and waste discharge, as well as the continuous implementation of the above green office measures, the Group, taking 2021 as the base year, looks forward to maintaining the same level of emissions, energy efficiency, water efficiency and waste emission density in the next five years.

## SUPPORTING COMMUNITY DEVELOPMENT

As an enterprise with a sense of social responsibility, Meta Media Holdings has always concerned about social public welfare undertakings and expressed the sincere and enthusiastic "social heart" of the enterprise. We believe that community investment and business operations shall complement each other to maintain the trust that people from all circles of life have in the Group. The Group strategically applies its skills and resources to different projects, programmes and initiatives with the aim of making a positive impact on community development in the short and long term.

The Group has formulated the Policy Statement on Community Investment to support the community development through various plans, including education and arts, and also pledges to sponsor and donate as much as possible to projects and activities that will have a positive impact on social development, encourages and arranges the employees to participate in volunteerism and charitable activities, contributing to the communities in which we operate by leveraging our resources and services, etc.

### Development of Education

The Group believes in the concept of "Spreading Love and Education" and has been focusing on investing in the development of education. Meta Media Special Education Foundation (established by the Group) aims to transform the life of the next generation by supporting education in mainland China. The foundation contributes to various education programs in the PRC, including construction of school campus, as well as volunteer services, donations of materials and other ways to help schools in mainland China, focusing more on the area of special education, disseminating social responsibility, and concerning the future of educational of children with disabilities.

### Promoting Art

Shao Zhong Art Development Foundation, a non-profit making organization founded by Mr. Shao Zhong, Chairman of the Board and the founder, in August 2008, is dedicated to the incubation, development and dissemination of modern art. Since its establishment, it has supported and participated in a number of art-related public welfare projects, and will continue to promote the diversified development of modern art.

In the future, the Group will continue to invest in the development of special education, do its best to support special school children to receive education, and formulate policies on community participation and investment, aiming at systematizing the planning process of community development activities.

## SUMMARY OF KEY PERFORMANCE INDICATORS

### Environmental Performance

| Environmental Key Performance Indicators | Unit | Total | | Hong Kong | | Shanghai | | Guangzhou | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Emissions category and related data | | | | | | | | | |
| Nitrogen oxides | kg | 10.40 | 18.73 | 0.00 | 0.00 | 1.57 | 2.99 | 8.83 | 15.74 |
| Sulfur oxides | kg | 1.13 | 1.48 | 0.00 | 0.00 | 0.49 | 0.72 | 0.64 | 0.76 |
| Inhalable suspended particles | kg | 0.65 | 1.03 | 0.00 | 0.00 | 0.15 | 0.26 | 0.50 | 0.77 |
| Emissions of greenhouse gas and density | | | | | | | | | |
| Scope 1 | $CO_2e$ | 34.55 | 45.26 | 0.00 | 0.00 | 14.85 | 22.01 | 19.70 | 23.25 |
| Scope 2 | $CO_2e$ | 261.68 | 313.09 | 36.02 | 38.42 | 194.27 | 205.24 | 31.39 | 69.43 |
| Scope 3 | $CO_2e$ | 177.85 | 218.95 | 0.78 | 2.57 | 169.28 | 210.58 | 7.80 | 5.80 |
| Total emissions of greenhouse gas | $CO_2e$ | 474.09 | 577.30 | 36.80 | 40.99 | 378.40 | 437.83 | 58.89 | 98.48 |
| Greenhouse gas density (calculated per floor area) | $CO_2e$/ sq. m | 0.07 | 0.09 | 0.04 | 0.05 | 0.08 | 0.10 | 0.05 | 0.13 |
| Total amount and density of hazardous wastes produced | | | | | | | | | |
| Total amount of hazardous waste generated | tonnes | 0.02 | 0.02 | 0.00 | 0.00 | 0.01 | 0.01 | 0.01 | 0.01 |
| Density of hazardous waste (calculated per floor area) | tonnes/ sq. m | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| Environmental Key Performance Indicators | Unit | Total 2022 | Total 2021 | Hong Kong 2022 | Hong Kong 2021 | Shanghai 2022 | Shanghai 2021 | Guangzhou 2022 | Guangzhou 2021 |
|---|---|---|---|---|---|---|---|---|---|
| Total amount and density of harmless wastes produced | | | | | | | | | |
| Total amount of non-hazardous waste produced | tonnes | 33.01 | 39.36 | 1.00 | 0.73 | 32.00 | 38.40 | 0.01 | 0.23 |
| Density of non-hazardous waste (calculated per floor area) | tonnes/ sq. m | 0.01 | 0.01 | 0.00 | 0.00 | 0.01 | 0.01 | 0.00 | 0.00 |
| Total direct/indirect energy consumption and density by type | | | | | | | | | |
| Petrol | MWh | 150.72 | 197.44 | 0.00 | 0.00 | 64.78 | 96.01 | 85.94 | 101.43 |
| Power | MWh | 428.07 | 554.04 | 92.37 | 103.85 | 276.15 | 336.40 | 59.55 | 113.80 |
| Total energy consumption | MWh | 578.79 | 751.48 | 92.37 | 103.85 | 340.93 | 432.41 | 145.49 | 215.23 |
| Density of energy (calculated per floor area) | MWh/ sq. m | 0.09 | 0.12 | 0.10 | 0.11 | 0.08 | 0.10 | 0.13 | 0.28 |
| Water consumption in total and density | | | | | | | | | |
| Total water consumption | cu. m | 640.53 | 940.07 | 1.82 | 89.07 | 635.71 | 849.00 | 3 | 2 |
| Density of water consumption (calculated per floor area) | cu. m/ sq. m | 0.10 | 0.15 | 0.00 | 0.10 | 0.14 | 0.19 | <0.01 | <0.01 |

## SOCIAL PERFORMANCE

### Overview of Employees

| | | Unit | Total | Hong Kong | Shanghai | Guangzhou |
|---|---|---|---|---|---|---|
| Total [2] | | Person | 324 | 39 | 258 | 27 |
| By employment category | Full time | Person | 323 | 39 | 258 | 26 |
| | Part time | Person | 1 | – | – | 1 |
| By gender | Male | Person | 83 | 15 | 55 | 13 |
| | Female | Person | 241 | 24 | 203 | 14 |
| By position | Chief executive officers | Person | 5 | 2 | 3 | – |
| | Senior management | Person | 35 | 8 | 20 | 7 |
| | Middle management | Person | 66 | 9 | 50 | 7 |
| | General staff | Person | 218 | 20 | 185 | 13 |
| By age group | Below 30 | Person | 88 | 6 | 82 | – |
| | 30–40 | Person | 102 | 16 | 80 | 6 |
| | 41–50 | Person | 50 | 11 | 30 | 9 |
| | Over 50 | Person | 84 | 6 | 66 | 12 |
| By region | Hong Kong | Person | 30 | 30 | – | – |
| | Mainland of China | Person | 292 | 7 | 258 | 27 |
| | Asia | Person | – | – | – | – |
| | Other areas | Person | 2 | 2 | – | – |
| Other laborers | Person | – | – | – | – | |

[2] Include advisors and interns

## New employee hires and employee turnover

| | | Unit | | Total 2022 | Total 2021 | Hong Kong 2022 | Hong Kong 2021 | Shanghai 2022 | Shanghai 2021 | Guangzhou 2022 | Guangzhou 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Number and rate (%) of new hires[3]** | | | | | | | | | | | |
| By employment category | Full time | Person | % | 82 | 97 | 14 | 9 | 68 | 87 | – | 1 |
| | Part time | Person | % | – | – | – | – | – | – | – | – |
| By gender | Male | Person | % | 23 | 22 | 6 | 5 | 17 | 16 | – | 1 |
| | Female | Person | % | 59 | 75 | 8 | 4 | 51 | 71 | – | – |
| By age group | Below 30 | Person | % | 26 | 56 | 5 | 2 | 21 | 54 | – | – |
| | 30–40 | Person | % | 51 | 29 | 5 | 2 | 46 | 26 | – | 1 |
| | 41–50 | Person | % | 3 | 9 | 2 | 3 | 1 | 6 | – | – |
| | Over 50 | Person | % | 2 | 3 | 2 | 2 | 0 | 1 | – | – |
| **Number and rate (%) of employee turnover [4]** | | | | | | | | | | | |
| By employment category | Full time | Person | % | 75 | 99 | 20 | 11 | 54 | 86 | 1 | 2 |
| | Part time | Person | % | – | 1 | – | – | – | 1 | – | – |
| By gender | Male | Person | % | 22 | 25 | 7 | 6 | 15 | 19 | – | – |
| | Female | Person | % | 53 | 75 | 13 | 5 | 39 | 68 | 1 | 2 |
| By age group | Below 30 | Person | % | 30 | 51 | 9 | 3 | 21 | 48 | – | – |
| | 30–40 | Person | % | 36 | 37 | 3 | 3 | 33 | 32 | – | 2 |
| | 41–50 | Person | % | 2 | 8 | 1 | 2 | – | 6 | 1 | – |
| | Over 50 | Person | % | 7 | 4 | 7 | 3 | – | 1 | – | – |

3 Ratio of new employees = (number of new employees/number of employees at the end of the Year) x 100%

4 Employee turnover ratio = (number of employees lost/number of employees at the end of the Year) x 100%

## Employees training

| | | Unit | | Total | | Hong Kong | | Shanghai | | Guangzhou | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Number and rate(%) of trainees[5]** | | Person | % | 255 | 79% | – | – | 255 | 99% | – | – |
| By gender | Male | Person | % | 55 | 66% | – | – | 55 | 100% | – | – |
| | Female | Person | % | 200 | 83% | – | – | 200 | 99% | – | – |
| By position | Chief executive officers | Person | % | 3 | 60% | – | – | 3 | 100% | – | – |
| | Senior management | Person | % | 20 | 57% | – | – | 20 | 100% | – | – |
| | Middle management | Person | % | 50 | 76% | – | – | 50 | 100% | – | – |
| | General staff | Person | % | 182 | 83% | – | – | 182 | 98% | – | – |

| | | Unit | | Total | | Hong Kong | | Shanghai | | Guangzhou | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total hours of training and average training hours per employee[6]** | | hour | hour | 18,360 | 56.67 | – | – | 18,360 | 71.16 | – | |
| By gender | Male | hour | hour | 3,960 | 47.71 | – | – | 3,960 | 72.00 | – | |
| | Female | hour | hour | 14,400 | 59.75 | – | – | 14,400 | 70.94 | – | |
| By position | Chief executive officers | hour | hour | 216 | 43.20 | – | – | 216 | 72.00 | – | |
| | Senior management | hour | hour | 1,440 | 41.14 | – | – | 1,440 | 72.00 | – | |
| | Middle management | hour | hour | 3,600 | 54.55 | – | – | 3,600 | 72.00 | – | |
| | General staff | hour | hour | 13,104 | 60.11 | – | – | 13,104 | 70.83 | – | |

5 Rate of total trainees = (total number of trainees/number of employees at the end of the Year) X 100%, rate of trainees in the category = (number of trainees in the category/number of total trainees) X 100%

6 Average training hours per employee = total hours of training/number of employees at the end of the Year, training hours of employees in the category/number of employees in the category at the end of the Year

## Health and Safety

| | Unit | Total | Hong Kong | Shanghai | Guangzhou |
|---|---|---|---|---|---|
| Number of work-related fatalities | Person | – | – | – | – |
| Rate of work-related fatalities | % | – | – | – | – |
| Number of work-related injury | Person | – | – | – | – |
| Number of lost days due to work injury | day | – | – | – | – |

## Suppliers

| | Unit | Total | Hong Kong | Shanghai | Guangzhou |
|---|---|---|---|---|---|
| Number of Suppliers by Region | | 2,031 | 2,021 | – | 10 |
| Hong Kong | number | 2,021 | 2,021 | – | – |
| Mainland China | number | 10 | – | – | 10 |
| Oversea | number | – | – | – | – |

## Product Responsibility

| | Unit | Total | Hong Kong | Shanghai | Guangzhou |
|---|---|---|---|---|---|
| Cases of product recall due to violation of relevant consumer protection laws and regulations | case | – | – | – | – |
| Number of complaints about products or services | case | – | – | – | – |

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| B3.2 | The average training hours completed per employee by gender and employee category. | 98 |
| **B4：: Labour Standards** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | 87-88 |
| B4.1 | Description of measures to review employment practices to avoid child and forced labour. | 88 |
| B4.2 | Description of the steps taken to eliminate violations when they are found. | 88 |
| **B5：Supply Chain Management** | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Supply chain management is not applicable to the Group due to the nature of the Group's business |
| B5.1 | Number of suppliers by region. | |
| B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how the practices are implemented and monitored. | |

| Subject areas | Description | Page |
|---|---|---|
| B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | |
| B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | |
| **B6：Product Responsibility** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | 83-84 |
| B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | 99 |
| B6.2 | Number of products and service related complaints received and how they are dealt with. | 99 |
| B6.3 | Description of practices relating to observing and protecting intellectual property rights. | 85 |
| B6.4 | Description of quality verification process and product recovery procedures. | 84 |
| B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | 85 |
| **B7：Anti-corruption** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering, that have a significant impact on the issuer. | 83 |
| B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | 83 |
| B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | 83 |
| B7.3 | Description of anti-corruption training provided to directors and staff. | 83 |
| **B8：Community Investment** | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | 94-95 |
| B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | 94-95 |
| B8.2 | Resources contributed (e.g. money or time) to the focus area. | It was not easily quantifiable. The Group will strive to quantity resources contributed in the future. |

# Independent Auditor's Report

**To the shareholders of Meta Media Holdings Limited**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Meta Media Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 107 to 175, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Property, plant and equipment, right-of-use assets, intangible assets and goodwill

*Refer to Note 15, Note 16, Note 18 and Note 19 to the consolidated financial statements*

The Group tested the amount of property, plant and equipment, right-of-use assets, intangible assets and goodwill for impairment. This impairment test is significant to our audit because the balance of property, plant and equipment, right-of-use assets, intangible assets and goodwill of approximately RMB144,245,000, RMB66,146,000, RMB37,402,000 and RMB36,013,000 respectively as at 31 December 2022 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Comparing the actual cash flows with the cash flow projections;
- Assessing the reasonableness of the key assumptions (including average annual growth rate, gross margins, discount rates and long term growth rate);
- Checking input data to supporting evidence;
- Subjecting the key assumptions to sensitivity analysis; and
- Checking the fair value of land and building.

We consider that the Group's impairment test for property, plant and equipment, right-of-use assets, intangible assets and goodwill is supported by the available evidence.

### Trade and other receivables

*Refer to Note 23 to the consolidated financial statements*

The Group tested the amount of trade and other receivables for impairment. This impairment test is significant to our audit because the balance of trade and other receivables of approximately RMB213,885,000 as at 31 December 2022 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

– Obtaining an understanding of the Group's procedures on credit limits, credit periods given to customers, debt collection and estimate of Expected Credit Losses (the "ECL");

– Assessing the impairment methodology, the governance for the ECL models, inputs and assumptions used by the Group in calculating the ECL;

– Assessing the reasonableness of the Group's ECL models, including the model input and model design;

– Re-computing and testing the trade receivables ageing analysis, on a sample basis, to the source documents;

– Challenging the information used to determine the ECL by considering cash collection performance against historical trends;

– Checking subsequent settlements from the customers and debtors; and

– Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade and other receivables is supported by the available evidence.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:
https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre
This description forms part of our auditor's report.

**ZHONGHUI ANDA CPA Limited**
*Certified Public Accountants*
**Pang Hon Chung**
Audit Engagement Director
Practising Certificate Number P05988
Hong Kong, 27 March 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31 December 2022

| | Notes | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| **Revenue** | 6 | 370,891 | 422,895 |
| Cost of sales | | (255,878) | (235,504) |
| **Gross profit** | | 115,013 | 187,391 |
| Other income | 7 | 3,790 | 4,975 |
| Other losses, net | 8 | (1,549) | (321) |
| Distribution expenses | | (49,952) | (69,062) |
| Administrative expenses | | (127,983) | (113,648) |
| **(Loss)/profit from operations** | | (60,681) | 9,335 |
| Finance expenses | 9 | (7,858) | (6,441) |
| Share of losses of a joint venture | | (1,684) | – |
| **(Loss)/profit before tax** | 11 | (70,223) | 2,894 |
| Income tax (expenses)/credit | 10 | (2,010) | 1,480 |
| **(Loss)/profit for the year** | | (72,233) | 4,374 |
| **Other comprehensive income/(expenses), net of tax** | | | |
| *Items that may be subsequently reclassified to profit or loss:* | | | |
| Exchange differences on translation of financial statements of overseas subsidiaries | | 9,991 | (2,679) |
| Exchange differences reclassified to profit or loss on disposal of an overseas branch office | | – | 644 |
| **Other comprehensive income/(expenses) for the year** | | 9,991 | (2,035) |
| **Total comprehensive (expenses)/income for the year** | | (62,242) | 2,339 |
| **(Loss)/profit for the year attributable to:** | | | |
| Owners of the Company | | (70,188) | (10,026) |
| Non-controlling interests | | (2,045) | 14,400 |
| | | (72,233) | 4,374 |
| **Total comprehensive (expenses)/income for the year attributable to:** | | | |
| Owners of the Company | | (62,213) | (11,812) |
| Non-controlling interests | | (29) | 14,151 |
| | | (62,242) | 2,339 |
| **Loss per share** | 14 | | |
| – Basic (RMB per share) | | (0.1625) | (0.0232) |
| – Diluted (RMB per share) | | (0.1625) | (0.0232) |

# Consolidated Statement of Financial Position

As at 31 December 2022

| | Notes | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | 144,245 | 142,633 |
| Right-of-use assets | 16 | 66,146 | 60,830 |
| Investment property | 17 | 36,170 | 37,700 |
| Intangible assets | 18 | 37,402 | 45,570 |
| Goodwill | 19 | 36,013 | 39,841 |
| Investment in a joint venture | 20 | 4,316 | – |
| Software development in progress | 21 | 52 | 52 |
| Prepayments for property, plant and equipment, and intangible assets | 23 | 832 | 3,285 |
| Deferred income tax assets | 30 | 1,630 | 2,870 |
| | | 326,806 | 332,781 |
| **Current assets** | | | |
| Inventories | 22 | 85,158 | 61,609 |
| Trade and other receivables | 23 | 213,885 | 238,007 |
| Pledged bank deposits | 24 | 50,000 | 25,231 |
| Cash and cash equivalents | 24 | 40,831 | 47,479 |
| | | 389,874 | 372,326 |
| **Current liabilities** | | | |
| Trade and other payables | 25 | 121,940 | 84,425 |
| Contract liabilities | 26 | 9,870 | 8,316 |
| Borrowings | 27 | 175,017 | 146,953 |
| Lease liabilities | 28 | 12,775 | 15,579 |
| Current income tax liabilities | | 8,088 | 8,485 |
| | | 327,690 | 263,758 |
| **Net current assets** | | 62,184 | 108,568 |
| **Total assets less current liabilities** | | 388,990 | 441,349 |
| **Non-current liabilities** | | | |
| Amount due to a non-controlling shareholder of a subsidiary | 29 | 4,197 | 4,303 |
| Lease liabilities | 28 | 58,231 | 47,830 |
| Deferred income tax liabilities | 30 | 9,963 | 10,375 |
| | | 72,391 | 62,508 |
| **NET ASSETS** | | 316,599 | 378,841 |

# *Consolidated Statement of Financial Position* *(continued)*

As at 31 December 2022

| | Notes | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | 31 | 3,853 | 3,853 |
| Reserves | 33 | 233,529 | 295,742 |
| **Equity attributable to owners of the Company** | | 237,382 | 299,595 |
| **Non-controlling interests** | | 79,217 | 79,246 |
| **TOTAL EQUITY** | | 316,599 | 378,841 |

The consolidated financial statements on pages 107 to 175 were approved and authorised for issue by the Board of Directors on 27 March 2023 and are signed on its behalf by:

**Shao Zhong**
*Director*

**Yang Ying**
*Director*

# Consolidated Statement of Changes in Equity

For the Year ended 31 December 2022

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Treasury shares RMB'000 | Share premium RMB'000 | Other reserves RMB'000 | Statutory surplus reserves RMB'000 | Property revaluation reserve RMB'000 | Fair value reserve (non-recycling) RMB'000 | Translation reserve RMB'000 | Retained earnings RMB'000 | Sub- total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2021 | 3,853 | (6,983) | 145,302 | 2,859 | 49,068 | 16,465 | (6,569) | (2,476) | 109,888 | 311,407 | 65,095 | 376,502 |
| (Loss)/profit for the year | – | – | – | – | – | – | – | – | (10,026) | (10,026) | 14,400 | 4,374 |
| Other comprehensive (expenses)/income for the year: | | | | | | | | | | | | |
| – Exchange differences on translation of foreign operations | – | – | – | – | – | – | – | (2,430) | – | (2,430) | (249) | (2,679) |
| – Exchange differences reclassified to profit or loss on disposal of an overseas branch office | – | – | – | – | – | – | – | 644 | – | 644 | – | 644 |
| Total comprehensive (expenses)/income for the year | – | – | – | – | – | – | – | (1,786) | (10,026) | (11,812) | 14,151 | 2,339 |
| Transactions with owners | | | | | | | | | | | | |
| Appropriation to statutory surplus reserves | – | – | – | – | 5,510 | – | – | – | (5,510) | – | – | – |
| At 31 December 2021 | 3,853 | (6,983) | 145,302 | 2,859 | 54,578 | 16,465 | (6,569) | (4,262) | 94,352 | 299,595 | 79,246 | 378,841 |
| At 1 January 2022 | 3,853 | (6,983) | 145,302 | 2,859 | 54,578 | 16,465 | (6,569) | (4,262) | 94,352 | 299,595 | 79,246 | 378,841 |
| Loss for the year | – | – | – | – | – | – | – | – | (70,188) | (70,188) | (2,045) | (72,233) |
| Other comprehensive income for the year: | | | | | | | | | | | | |
| – Exchange differences on translation of foreign operations | – | – | – | – | – | – | – | 7,975 | – | 7,975 | 2,016 | 9,991 |
| Total comprehensive income/(expenses) for the year | – | – | – | – | – | – | – | 7,975 | (70,188) | (62,213) | (29) | (62,242) |
| Transactions with owners | | | | | | | | | | | | |
| Appropriation to statutory surplus reserves | – | – | – | – | 85 | – | – | – | (85) | – | – | – |
| At 31 December 2022 | 3,853 | (6,983) | 145,302 | 2,859 | 54,663 | 16,465 | (6,569) | 3,713 | 24,079 | 237,382 | 79,217 | 316,599 |

# Consolidated Statement of Cash Flows

For the Year ended 31 December 2022

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| (Loss)/profit before tax | (70,223) | 2,894 |
| **Adjustments for:** | | |
| Depreciation of property, plant and equipment and right-of-use assets | 30,265 | 27,072 |
| Amortisation of intangible assets | 8,043 | 10,467 |
| Change in expected credit loss ("ECL") allowance for trade receivables | (1,921) | 1,125 |
| Interest income | (300) | (556) |
| Finance expenses | 7,858 | 6,441 |
| Net (gains)/losses on disposal of property, plant and equipment | (405) | 134 |
| Impairment of goodwill | 3,630 | 3,620 |
| Loss on disposal of an overseas branch office | – | 363 |
| Impairment loss on software development in progress | – | 636 |
| Impairment loss on intangible assets | 3,296 | – |
| Share of losses of a joint venture | 1,684 | – |
| Change in fair value of investment property | 1,530 | – |
| Net gain on termination of leases | (30) | – |
| **Operating cash flows before working capital changes** | (16,573) | 52,196 |
| Change in trade and other receivables | 13,095 | (33,061) |
| Change in inventories | (1,572) | (4,619) |
| Change in trade and other payables | 28,172 | (22,796) |
| Change in contract liabilities | 1,554 | 3,941 |
| **Cash generated from/(used in) operations** | 24,676 | (4,339) |
| Income tax paid | (2,137) | (900) |
| **Net cash generated from/(used in) operating activities** | 22,539 | (5,239) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received | 300 | 21 |
| Proceeds from disposal of investments at fair value through profit or loss | – | 60,842 |
| Purchase of investments at fair value through profit or loss | – | (35,000) |
| Purchase of intangible assets | (2,726) | (3) |
| Purchase of property, plant and equipment | (2,555) | (1,892) |
| Proceeds from disposal of property, plant and equipment | 78 | 82 |
| Prepayments for property, plant and equipment, and intangible assets | (832) | (4,662) |
| Change in pledged bank deposits | (24,769) | (25,231) |
| Investment in a joint venture | (6,000) | – |
| **Net cash used in investing activities** | (36,504) | (5,843) |

# *Consolidated Statement of Cash Flows* *(continued)*

For the Year ended 31 December 2022

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from borrowings | 144,356 | 146,200 |
| Repayment of borrowings | (121,924) | (100,622) |
| Interest paid | (4,913) | (4,693) |
| Advance from a joint venture | 5,400 | – |
| Repayment of lease liabilities and interest | (19,256) | (14,787) |
| **Net cash generated from financing activities** | 3,663 | 26,098 |
| **Net (decrease)/increase in cash and cash equivalents** | (10,302) | 15,016 |
| Effect of change in foreign exchange rate | 3,654 | (3,624) |
| Cash and cash equivalents at beginning of year | 47,479 | 36,087 |
| Cash and cash equivalents at end of year | 40,831 | 47,479 |
| **ANALYSIS OF CASH AND CASH EQUIVALENTS** | | |
| Cash and cash equivalents | 40,831 | 47,479 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

## 1. GENERAL INFORMATION

Meta Media Holdings Limited (the "Company") was incorporated in the Cayman Islands on 8 March 2007 and registered as an exempted company with limited liability under the Company Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal places of business in the People's Republic of China (the "PRC") and Hong Kong are at Units 213, 2/F, Block 2, Exhibition Centre, No. 1 Software Park Road, Zhuhai City, Guangdong Province, the PRC and 7/F, Global Trade Square, No. 21 Wong Chuk Hang Road, Aberdeen, Hong Kong respectively. Its registered office is at Tricor Services (Cayman Islands) Limited, Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1–1103, Cayman Islands.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 September 2009.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the provision of multi-media advertising services, printing and distribution of magazines, provision of advertising-related services, artwork trading and related services and restaurant operation.

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, except for investment property which is stated at fair values. These consolidated financial statements are presented in Renminbi (RMB) and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the board of directors of the Group (the "Directors") to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the consolidated financial statements, are further disclosed in note 4 to the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

### Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive expenses for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Foreign currency translation

#### a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Hong Kong Dollars (the "HK$"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the development and operation of the Group during the years are within the PRC, the Group determined to present the consolidated financial statements in RMB, unless otherwise stated.

#### b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

#### c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in consolidated profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

| | |
|---|---|
| Buildings held for own use | 40 – 50 years |
| Office equipment | 3 – 5 years |
| Furniture and fixtures | 3 – 10 years |
| Motor vehicles | 5 – 10 years |

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in consolidated profit or loss.

### Investment property

Investment property is building held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property is recognised in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Leases

#### The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

| | |
|---|---|
| Land and buildings | 2 – 8 years |

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in consolidated profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Intangible assets

#### (a) Software and mobile applications

Costs associated with maintaining software and mobile applications are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Software and mobile applications development costs recognised as assets are amortised over their estimated useful lives.

#### (b) Other intangible assets

Other intangible assets mainly include publishing rights, customer relationships, trademarks, domains and IT platforms and film distribution right. Intangible assets with a finite useful lives are carried at cost less accumulated amortisation and any impairment losses. Intangible assets with indefinite useful lives including trademark are carried at cost less any subsequent accumulated impairment losses.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Intangible assets *(continued)*

#### (c) Amortisation

Amortisation commences when the intangible assets are available for use. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives, as follows:

| | |
|---|---|
| Digital assets | Indefinite useful life |
| Publishing rights | 6 to 7 years or indefinite useful life |
| Customer relationships | 3 to 5 years |
| Trademarks | Indefinite useful life |
| Domains and IT platforms | 3 to 10 years |
| Software, website and mobile applications | 3 to 5 years |
| Others (other than film distribution right) | 15 years |

Film distribution right is amortised based on the proportion of actual revenue earned during the year to total estimated projected revenue, less impairment loss.

### Inventories

Inventories are artworks intended for sale and goods held in a retail store of the Group and stated at the lower of cost and net realisable value. Cost for artworks includes expenditures that is directly attributable to the acquisition of the items. Cost for goods held in a retail store is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under financial assets at amortised cost.

#### Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

### Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade and other receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

### Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### Other financial liabilities

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

### Other revenue

Interest income is recognised using the effective interest method.

### Employee benefits

#### a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Employee benefits *(continued)*

#### c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment property that is measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment property is measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (A);

(vii) A person identified in (A) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

### Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

#### Deferred tax for investment property

For the purposes of measuring deferred tax for investment property that are measured using the fair value model, the Director has reviewed the Group's investment property portfolios and concluded that the Group's investment property is held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment property, the Director has rebutted the presumption that investment property measured using the fair value model are recovered through sale.

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately RMB36,013,000 (2021: RMB39,841,000) after an impairment loss of approximately RMB3,630,000 was recognised during the year ended 31 December 2022 (2021: RMB3,620,000). Details of the impairment loss calculation are provided in note 19 to consolidated financial statements.

#### b) Provision for expected credit losses ("ECL") for trade and other receivables

The Group's management determines the provision for ECL of trade and other receivables on a forward-looking basis and the ECL are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. Other receivables is considered 12-month ECL. In making the judgment, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management. When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and other receivables within the scope of ECL under IFRS 9 and credit losses in the periods in which such estimate has been changed.

## 4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

### Key sources of estimation uncertainty *(continued)*

#### c) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

#### d) Intangible assets and amortisation

The Group determines the estimated useful lives, residual values and related amortisation charges for the Group's intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of intangible assets of similar nature and functions. The Group will revise the amortisation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

## 5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2022 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables, pledged bank deposits, and cash and cash equivalents. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on pledged bank deposits and cash at bank and on hand are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

## 5. FINANCIAL RISK MANAGEMENT *(continued)*

### b) Credit risk *(continued)*

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 3 years past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

| Category | Definition | Loss provision |
|---|---|---|
| Performing | Low risk of default and strong capacity to pay | 12 month expected losses |
| Non-performing | Significant increase in credit risk | Lifetime expected losses |

## 5. FINANCIAL RISK MANAGEMENT *(continued)*

### c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

| | Within 1 year or on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | Total contractual undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|---|---|---|---|---|
| **At 31 December 2022** | | | | |
| Trade and other payables | 113,693 | – | 113,693 | 113,693 |
| Amount due to a non-controlling shareholder of a subsidiary | – | 4,197 | 4,197 | 4,197 |
| Borrowings | 181,533 | – | 181,533 | 175,017 |
| | 295,226 | 4,197 | 299,423 | 292,907 |

| | Within 1 year or on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | Total contractual undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|---|---|---|---|---|
| **At 31 December 2021** | | | | |
| Trade and other payables | 77,874 | – | 77,874 | 77,874 |
| Amount due to a non-controlling shareholder of a subsidiary | – | 4,303 | 4,303 | 4,303 |
| Borrowings | 150,441 | – | 150,441 | 146,953 |
| | 228,315 | 4,303 | 232,618 | 229,130 |

Secured borrowings of approximately RMB175,017,000 (2021: RMB146,953,000) with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the management does not consider that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The management believes that the term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

## 5. FINANCIAL RISK MANAGEMENT *(continued)*

### c) Liquidity risk *(continued)*

The maturity analysis of the Group's borrowings by expected repayment dates is summarised as follows. The amounts include interest payments computed using contractual rates.

| | Within 1 year or on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | More than 5 years RMB'000 | Total contractual undiscounted cash flows RMB'000 |
|---|---|---|---|---|---|
| **At 31 December 2022** | | | | | |
| Borrowings | 154,879 | 3,474 | 10,421 | 16,214 | 184,988 |
| **At 31 December 2021** | | | | | |
| Borrowings | 123,621 | 3,087 | 9,260 | 17,494 | 153,462 |

### d) Interest rate risk

The Group's exposure to fair value interest rate risk arises primarily from the Group's bank deposits and bank borrowings which carry interest at fixed rates.

The Group's exposure to interest-rate risk arises from Group's bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate and Prime rate arising from the Group's Hong Kong dollars denominated borrowing.

At 31 December 2022, if the interest rates had been 100 basis points lower with all other variables held constant, post-tax loss for the year would have been RMB543,000 lower (2021: post-tax profit would have been RMB518,000 higher), arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 100 basis points higher, with all other variables held constant, post-tax loss for the year would have been RMB543,000 higher (2021: post-tax profit would have been RMB518,000 lower), arising mainly as a result of higher interest expense on bank borrowings.

### e) Categories of financial instruments at 31 December

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **Financial assets:** | | |
| Financial assets at amortised cost (including cash and cash equivalents) | 284,113 | 286,197 |
| **Financial liabilities:** | | |
| Financial liabilities at amortised cost | 292,907 | 229,130 |

## 5. FINANCIAL RISK MANAGEMENT *(continued)*

### f) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

#### (a) Disclosures of level in fair value hierarchy:

| | Fair value measurements using | | | |
|---|---|---|---|---|
| Description | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **At 31 December 2022** | | | | |
| Investment property | | | | |
| – Commercial unit – PRC | – | – | 36,170 | 36,170 |
| **At 31 December 2021** | | | | |
| Investment property | | | | |
| – Commercial unit – PRC | – | – | 37,700 | 37,700 |

## 5. FINANCIAL RISK MANAGEMENT *(continued)*

### f) Fair value *(continued)*

#### (b) Reconciliation of assets measured at fair value based on level 3:

| | 2022 Investment property RMB'000 |
|---|---|
| At 1 January | 37,700 |
| Total losses recognised in profit or loss# | (1,530) |
| At 31 December | 36,170 |
| # Include losses for assets held at end of reporting period | (1,530) |

| | 2021 Investments at fair value through profit or loss RMB'000 | 2021 Investment property RMB'000 | 2021 Total RMB'000 |
|---|---|---|---|
| At 1 January | 25,307 | 37,700 | 63,007 |
| Acquired during the year | 35,000 | – | 35,000 |
| Disposed during the year | (60,842) | – | (60,842) |
| Total gains recognised in profit or loss# | 535 | – | 535 |
| At 31 December | – | 37,700 | 37,700 |
| # Include gains for assets held at end of reporting period | – | – | – |

## 5. FINANCIAL RISK MANAGEMENT *(continued)*

### f) Fair value *(continued)*

#### (c) Disclosures of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2022 and 2021:

The Director is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

The Group's investment property is revalued at 31 December 2022 and 2021 by independent professionally qualified valuer, Cushman & Wakefield Shenzhen Valuation Co., Ltd., who has the recent experience in the location and category of properties being valued. The fair value measurement is based on the properties' highest and best use, which does not differ from their actual use.

Key unobservable inputs used in level 3 fair value measurements are mainly:

| Description | Valuation techniques | Significant unobservable inputs | Range As at 31 December 2022 | Range As at 31 December 2021 | Effect on fair value for increase of inputs |
|---|---|---|---|---|---|
| Investment property | Direct capitalisation method | Market monthly rental rate taking into account of individual factors such as location, environment, age, accessibility, floor, size, etc. (RMB/sq. m) | 197 – 228 | 198 – 234 | Increase |
| | | Capitalisation rate of reversionary income | 6.50% | 6.50% | Decrease |
| | Market Comparison approach | Price per square metre (RMB/sq. m) | 35,393 – 43,289 | 38,792 – 41,560 | Increase |

During the years ended 31 December 2022 and 2021, there were no changes in the valuation techniques used.

During the years ended 31 December 2022 and 2021, there was no transfer between Level 1, Level 2 or transfer into or out of Level 3.

## 6. REVENUE AND SEGMENT INFORMATION

The chief operating decision-makers mainly include senior executive management of the Company. They review the Group's internal reports in order to determine the operating segments, assess performance and allocate resources based on these reports.

Senior executive management considers the business from a business perspective, and assesses the performance of the business segment based on revenue and adjusted earnings before interest, taxes, depreciation, and amortization (the "EBITDA") without allocation of depreciation, amortisation, finance expenses, change in fair value of investment property, impairment loss on goodwill, impairment loss on software development in progress, impairment loss on intangible assets, share of losses of a joint venture, loss on disposal of an overseas branch office and other unallocated head office and corporate expenses.

The amount provided to senior executive management with respect to total assets is measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of segment. Investment property, deferred income tax assets, certain other receivables, investment in a joint venture, pledged bank deposits, cash and cash equivalents and corporate and unallocated assets are not considered to be segment assets but rather are managed by the treasury function.

Information about segment liabilities are not regularly reviewed by chief operating decision-makers. Accordingly, segment liabilities information is not presented.

The Group has two (2021: two) reportable segments as described below, which are the Group's strategic business units. The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and profit/loss of each operating segment. Segment information below is presented in a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment. The following describes the operations in each of the Group's reportable segments:

- Art platform: this segment engages in the sale of advertising space in the publication of and the distribution of the Group's magazines and periodicals; and artwork trading and auction, art exhibition and education and revenue from restaurant operation.

- Digital platform: this segment is a digital media platform in which the Group publishes multiple digital media products and sells advertising spaces; and engages in the production of customised contents for brand advertisers.

## 6. REVENUE AND SEGMENT INFORMATION *(continued)*

### (a) Revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time from external customers in the following major product lines:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Reportable segment: | | |
| – Art platform | 215,866 | 255,265 |
| – Digital platform | 157,162 | 167,543 |
| | 373,028 | 422,808 |
| Revenue derived from other operations | 187 | 1,508 |
| Less: sales taxes and other surcharges | (2,324) | (1,421) |
| | 370,891 | 422,895 |
| Types of goods or services: | | |
| – Advertising income | 243,597 | 291,286 |
| – Production, event and service income | 111,511 | 112,418 |
| – Sales of artworks and goods | – | 250 |
| – Circulation and subscription income | 14,247 | 16,650 |
| – Revenue from restaurant operation | 1,536 | 2,291 |
| | 370,891 | 422,895 |
| Timing of revenue recognition under IFRS 15: | | |
| – At a point in time | 1,536 | 2,541 |
| – Over time | 369,355 | 420,354 |
| Revenue from contract with customers | 370,891 | 422,895 |

## 6. REVENUE AND SEGMENT INFORMATION *(continued)*

### (b) Adjusted EBITDA

The adjusted EBITDA of the Group for the years ended 31 December 2022 and 2021 were set out as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Reportable segment results: | | |
| – Art platform | (42,439) | 2,904 |
| – Digital platform | 32,134 | 50,261 |
| | (10,305) | 53,165 |
| Revenue derived from other operations | 187 | 1,508 |
| Depreciation | (30,265) | (27,072) |
| Amortisation | (8,043) | (10,467) |
| Finance expenses | (7,858) | (6,441) |
| Impairment loss on goodwill | (3,630) | (3,620) |
| Impairment loss on software development in progress | – | (636) |
| Impairment loss on intangible assets | (3,296) | – |
| Share of losses of a joint venture | (1,684) | – |
| Loss on disposal of an overseas branch office | – | (363) |
| Change in fair value of investment property | (1,530) | – |
| Unallocated head office and corporate expenses | (3,799) | (3,180) |
| (Loss)/profit before tax | (70,223) | 2,894 |

| | **Depreciation**<br>RMB'000 | **Amortisation**<br>RMB'000 | **Finance expenses**<br>RMB'000 |
|---|---|---|---|
| **Year ended 31 December 2022** | | | |
| Reportable segment: | | | |
| – Art platform | 17,504 | 4,652 | 4,547 |
| – Digital platform | 12,744 | 3,387 | 3,311 |
| | 30,248 | 8,039 | 7,858 |
| **Year ended 31 December 2021** | | | |
| Reportable segment: | | | |
| – Art platform | 15,888 | 6,143 | 5,987 |
| – Digital platform | 10,434 | 4,034 | 454 |
| | 26,322 | 10,177 | 6,441 |

## 6. REVENUE AND SEGMENT INFORMATION *(continued)*

### (c) Total assets

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Reportable segment: | | |
| – Art platform | 318,874 | 294,328 |
| – Digital platform | 229,576 | 243,970 |
| | 548,450 | 538,298 |
| Corporate and unallocated assets | 8,933 | 8,176 |
| Investment property | 36,170 | 37,700 |
| Deferred income tax assets | 1,630 | 2,870 |
| Other receivables | 26,350 | 45,353 |
| Investment in a joint venture | 4,316 | – |
| Pledged bank deposits | 50,000 | 25,231 |
| Cash and cash equivalents | 40,831 | 47,479 |
| Total assets | 716,680 | 705,107 |

Additions to non-current segment assets during the year were as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Reportable segment: | | |
| – Art platform | 16,833 | 60,033 |
| – Digital platform | 14,017 | 8,458 |
| | 30,850 | 68,491 |

## 6. REVENUE AND SEGMENT INFORMATION *(continued)*

### (d) Geographic information

The geographical location of the Group's property, plant and equipment, right-of-use assets, investment property, intangible assets, goodwill, investment in a joint venture, software development in progress, and prepayments for property, plant and equipment and intangible assets ("specified non-current assets") are mainly in the PRC, Hong Kong and the United Kingdom (the "UK") as at 31 December 2022 and 2021.

The geographical location of the specified non-current assets is based on (i) the physical location of the asset, in the case of property, plant and equipment, right-of-use assets, investment property and prepayments for property, plant and equipment and intangible assets; and (ii) the location of the operation to which they are allocated, in the case of intangible assets, goodwill, investment in a joint venture and software development in progress.

Specified non-current assets by geographical location as at 31 December 2022 and 2021 are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| The PRC, excluding Hong Kong | 222,224 | 239,979 |
| Hong Kong, the PRC | 83,412 | 77,967 |
| The UK | 19,540 | 11,965 |
| | 325,176 | 329,911 |

Revenue by geographical location for the years ended 31 December 2022 and 2021 were as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| The PRC, excluding Hong Kong | 317,405 | 372,143 |
| Hong Kong, the PRC | 29,727 | 32,476 |
| The UK | 23,759 | 18,276 |
| | 370,891 | 422,895 |

Revenue from customers which individually contributed over 10% of the Group's revenue for art platform and digital platform segment was as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Customer A | 39,226 | N/A* |

* The revenue from Customer A contributed not over 10% of the Group's revenue for art platform and digital platform segment in 2021, therefore the amount is not disclosed.

## 7. OTHER INCOME

| | | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Government subsidies | *Note a* | 3,176 | 4,322 |
| Bank interest income | | 300 | 21 |
| Interest income from investments at fair value through profit and loss | | – | 535 |
| Others | | 314 | 97 |
| | | 3,790 | 4,975 |

*Note a:* Government subsidies represented unconditional subsidies received from the PRC and the UK governmental authorities by several subsidiaries of the Group.

## 8. OTHER LOSSES, NET

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Change in fair value of investment property | 1,530 | – |
| Net (gains)/losses on disposal of property, plant and equipment | (405) | 134 |
| Exchange differences | 454 | 187 |
| Net gain on termination of leases | (30) | – |
| | 1,549 | 321 |

## 9. FINANCE EXPENSES

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Lease interests | 2,945 | 1,748 |
| Interest expenses on: | | |
| – Secured bank borrowings | 4,913 | 4,587 |
| – Other unsecured borrowings | – | 106 |
| | 7,858 | 6,441 |

## 10. INCOME TAX EXPENSES/(CREDIT)

Income tax has been recognised in consolidated profit or loss as following:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Current income tax – Hong Kong Profits Tax | | |
| Provision for the year | 73 | 268 |
| (Over)/under-provision in prior years | (56) | 222 |
| Current income tax – PRC Corporate Income Tax | | |
| Provision for the year | 1,136 | 900 |
| Deferred income tax | 857 | (2,870) |
| | 2,010 | (1,480) |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 December 2022 and 2021. No provision for PRC Corporation Tax has been made since the Group has sufficient tax loss brought forward to offset taxable profit or did not generate any taxable profit for the years ended 31 December 2022 and 2021. No provision for UK Corporation Tax has been made since the Group did not generate any assessable profits for the years ended 31 December 2022 and 2021. During the year ended 31 December 2022, current income tax included a provision of approximately RMB1,136,000 (2021: RMB900,000) in respect of withholding income tax on services income charged to the Group's PRC subsidiaries.

The reconciliation between the income tax expenses/(credit) and the product of (loss)/profits before tax multiplied by the applicable tax rates is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| (Loss)/profit before tax | (70,223) | 2,894 |
| Tax calculated at statutory tax rate of 25% | (17,556) | 724 |
| Tax effect of | | |
| – effect of differential tax rate on income | 886 | 1,163 |
| – temporary differences not recognised | (480) | 281 |
| – non-deductible expenses | 4,051 | 4,135 |
| – non-taxable income | (794) | (1,080) |
| – utilisation of previously unrecognised tax losses | (539) | (8,770) |
| – tax losses not recognised | 14,941 | 945 |
| – income tax on service charge | 1,136 | 900 |
| – adjustment in respect of prior years | (56) | 222 |
| – tax effect of share of losses of a joint venture | 421 | – |
| Income tax expenses/(credit) | 2,010 | (1,480) |

## 11. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is stated after charging/(crediting) the following:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Cost of artworks sold | – | 86 |
| Cost of restaurant operation | 445 | 1,123 |
| Staff costs (including Directors' emoluments) | | |
| – Salaries, wages and other benefits | 77,825 | 82,425 |
| – Pension costs-defined contribution plans | 19,002 | 14,394 |
| | 96,827 | 96,819 |
| Impairment loss on goodwill | 3,630 | 3,620 |
| Impairment loss on intangible assets | 3,296 | – |
| Impairment loss on software development in progress | – | 636 |
| Amortisation of intangible assets | 8,043 | 10,467 |
| Depreciation of property, plant and equipment and right-of-use assets | 30,265 | 27,072 |
| Loss on disposal of an overseas branch office | – | 363 |
| Auditors' remuneration | | |
| – Audit services | 1,330 | 1,280 |
| – Non-audit services | 200 | 232 |
| Change in ECL allowance for trade receivables | (1,921) | 1,125 |
| Expenses related to short-term leases | 400 | 611 |

## 12. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES

### (a) Directors' emoluments

The remuneration of each Director is as follows:

| | | Year ended 31 December 2022<br>Emoluments paid or receivable in respect of a person's services as a Director whether of the Company or its subsidiary undertaking | | | |
|---|---|---|---|---|---|
| | | Directors' fees<br>RMB'000 | Salaries<br>RMB'000 | Retirement scheme contributions<br>RMB'000 | Total<br>RMB'000 |
| ***Executive Directors*** | | | | | |
| Mr. Shao Zhong | *(note (a))* | – | 3,494 | – | 3,494 |
| Ms. Yang Ying | | – | 1,800 | 134 | 1,934 |
| Mr. Li Jian | | – | 1,200 | 96 | 1,296 |
| Mr. Deroche Alain, Jean-Marie, Jacques | | – | 1,792 | 15 | 1,807 |
| | | – | 8,286 | 245 | 8,531 |
| ***Independent non-executive Directors*** | | | | | |
| Ms. Wei Wei | | 132 | – | – | 132 |
| Dr. Gao Hao | *(note (b))* | – | – | – | – |
| Mr. Yick Wing Fat Simon | | 206 | – | – | 206 |
| Mr. Wan Jie | *(note (c))* | 132 | – | – | 132 |
| | | 470 | – | – | 470 |
| | | 470 | 8,286 | 245 | 9,001 |

## 12. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES *(continued)*

### (a) Directors' emoluments *(continued)*

| | | Year ended 31 December 2021<br>Emoluments paid or receivable in respect of a person's services<br>as a Director whether of the Company or its subsidiary undertaking | | | |
|---|---|---|---|---|---|
| | | Directors' fees<br>RMB'000 | Salaries<br>RMB'000 | Retirement scheme contributions<br>RMB'000 | Total<br>RMB'000 |
| ***Executive Directors*** | | | | | |
| Mr. Shao Zhong | *(note (a))* | – | 3,185 | 8 | 3,193 |
| Ms. Yang Ying | | – | 1,800 | 179 | 1,979 |
| Mr. Li Jian | | – | 1,200 | 90 | 1,290 |
| Mr. Deroche Alain, Jean-Marie, Jacques | | – | 1,879 | 15 | 1,894 |
| | | – | 8,064 | 292 | 8,356 |
| ***Independent non-executive Directors*** | | | | | |
| Ms. Wei Wei | | 132 | – | – | 132 |
| Dr. Gao Hao | *(note (b))* | 55 | – | – | 55 |
| Mr. Yick Wing Fat Simon | | 196 | – | – | 196 |
| Mr. Wan Jie | *(note (c))* | 81 | – | – | 81 |
| | | 464 | – | – | 464 |
| | | 464 | 8,064 | 292 | 8,820 |

*Notes:*

(a) Mr. Shao Zhong is also the chief executive officer of the Company.

(b) Dr. Gao Hao was resigned on 20 May 2021.

(c) Mr. Wan Jie was appointed on 20 May 2021.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

## 12. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES (continued)

### (b) Directors' material interests in transactions, arrangements or contracts

As at 31 December 2022 and 2021, Mr. Shao Zhong ("Mr. Shao") is entrusted as registered shareholder of certain investments in subsidiaries on behalf of the Group. Saved as disclosed in elsewhere in the consolidated financial statements, there were no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### (c) Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2021: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2021: one) individual are set out below:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Salaries and other emoluments | 3,304 | 1,282 |
| Retirement scheme contributions | 26 | 11 |
| | 3,330 | 1,293 |

The emoluments fell within the following band:

| | Number of individuals | |
|---|---|---|
| | 2022 | 2021 |
| HK$1,000,001 – HK$1,500,000 | – | 1 |
| HK$1,500,001 – HK$2,000,000 | 1 | – |
| HK$2,000,001 – HK$2,500,000 | 1 | – |
| | 2 | 1 |

During the year, no emoluments were paid by the Group to any of the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 13. DIVIDENDS

The Board of Directors does not recommend the payment of any dividend for the years ended 31 December 2022 and 2021.

## 14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Loss** | | |
| Loss for the year for the purpose of calculating basic and diluted loss per share | (70,188) | (10,026) |
| **Number of shares** | '000 | '000 |
| Issued ordinary shares as at 1 January | 438,353 | 438,353 |
| Weighted average number of treasury shares held | (6,359) | (6,359) |
| Weighted average number of ordinary shares in issue | 431,994 | 431,994 |

The basic and diluted loss per share for the years ended 31 December 2022 and 2021 were the same as the Company had no dilutive potential ordinary shares in issue during both years.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Buildings held for own use RMB'000 | Leasehold improvements RMB'000 | Office equipment RMB'000 | Furniture and fixtures RMB'000 | Motor vehicles RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **At 1 January 2021** | | | | | | |
| Cost | 151,268 | 74,466 | 34,622 | 15,944 | 15,163 | 291,463 |
| Accumulated depreciation | (24,600) | (62,292) | (31,298) | (12,032) | (13,126) | (143,348) |
| **Net carrying amount** | 126,668 | 12,174 | 3,324 | 3,912 | 2,037 | 148,115 |
| **Year ended 31 December 2021** | | | | | | |
| Opening net carrying amount | 126,668 | 12,174 | 3,324 | 3,912 | 2,037 | 148,115 |
| Additions | – | 8,561 | 262 | 1,003 | 80 | 9,906 |
| Disposals | – | – | (155) | (51) | (10) | (216) |
| Transfer to inventory | – | – | (574) | – | – | (574) |
| Depreciation charge | (2,860) | (6,608) | (756) | (1,368) | (586) | (12,178) |
| Currency translation differences | (2,167) | (72) | (72) | (102) | (7) | (2,420) |
| **Closing net carrying amount** | 121,641 | 14,055 | 2,029 | 3,394 | 1,514 | 142,633 |
| **At 31 December 2021 and 1 January 2022** | | | | | | |
| Cost | 148,747 | 82,858 | 33,375 | 16,608 | 14,908 | 296,496 |
| Accumulated depreciation | (27,106) | (68,803) | (31,346) | (13,214) | (13,394) | (153,863) |
| **Net carrying amount** | 121,641 | 14,055 | 2,029 | 3,394 | 1,514 | 142,633 |
| **Year ended 31 December 2022** | | | | | | |
| Opening net carrying amount | 121,641 | 14,055 | 2,029 | 3,394 | 1,514 | 142,633 |
| Additions | – | 2,590 | 420 | 2,001 | 1,971 | 6,982 |
| Disposals | – | – | (130) | (87) | (598) | (815) |
| Depreciation charge | (2,921) | (5,695) | (432) | (1,965) | (628) | (11,641) |
| Currency translation differences | 6,669 | 175 | 9 | 157 | 76 | 7,086 |
| **Closing net carrying amount** | 125,389 | 11,125 | 1,896 | 3,500 | 2,335 | 144,245 |
| **At 31 December 2022** | | | | | | |
| Cost | 156,683 | 85,978 | 32,717 | 17,484 | 14,809 | 307,671 |
| Accumulated depreciation | (31,294) | (74,853) | (30,821) | (13,984) | (12,474) | (163,426) |
| **Net carrying amount** | 125,389 | 11,125 | 1,896 | 3,500 | 2,335 | 144,245 |

As at 31 December 2022, certain buildings in the PRC and Hong Kong with carrying amounts of approximately RMB92,665,000 (2021: RMB88,251,000) have been pledged as collaterals for the Group's bank borrowings, amounting to approximately RMB165,017,000 (2021: RMB136,953,000).

## 16. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **At 31 December:** | | |
| Right-of-use assets | | |
| – Land and buildings | 66,146 | 60,830 |
| Lease commitments of short-term leases | 18 | 287 |
| The maturity analysis based on undiscounted cash flows, of the Group's lease liabilities is as follows: | | |
| – Less than 1 year | 15,850 | 18,196 |
| – Between 1 and 2 years | 25,065 | 7,597 |
| – Between 2 and 5 years | 25,300 | 23,000 |
| – Over 5 years | 18,400 | 26,900 |
| | 84,615 | 75,693 |

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **Year ended 31 December:** | | |
| Depreciation charge of right-of-use assets | | |
| – Land and buildings | 18,624 | 14,894 |
| Lease interests | 2,945 | 1,748 |
| Expenses related to short-term leases | 400 | 611 |
| With operating activities | 400 | 611 |
| With financing activities | 19,256 | 14,787 |
| Total cash outflow for leases | 19,656 | 15,398 |
| Additions to right-of-use assets | 25,235 | 52,999 |

The Group leases various land and buildings. Lease agreements are typically made for fixed periods of 2 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

## 17. INVESTMENT PROPERTY

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| At 1 January | 37,700 | 37,700 |
| Changes in fair value of investment property recognised in profit or loss | (1,530) | – |
| At 31 December | 36,170 | 37,700 |

The Group has used presumption that the carrying amount of the investment property would be recovered through use which is held within a business model to hold for rental, provision for deferred tax is made on revaluation of investment property using income tax rate.

As at 31 December 2022, the investment property in the PRC with carrying amounts of approximately RMB36,170,000 (2021: RMB37,700,000) have been pledged as collaterals for the Group's bank borrowings, amounting to approximately RMB100,000,000 (2021: RMB75,000,000).

## 18. INTANGIBLE ASSETS

| | Digital assets RMB'000 | Publishing rights RMB'000 | Customer relationships RMB'000 | Trademarks, domains and IT platforms RMB'000 | Software, website and mobile applications RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2021** | | | | | | | |
| Cost | – | 9,504 | 10,382 | 23,564 | 93,804 | 7,618 | 144,872 |
| Accumulated amortisation | – | (3,000) | (10,382) | (5,581) | (70,751) | (2,565) | (92,279) |
| **Net book amount** | – | 6,504 | – | 17,983 | 23,053 | 5,053 | 52,593 |
| **Year ended 31 December 2021** | | | | | | | |
| Opening net book amount | – | 6,504 | – | 17,983 | 23,053 | 5,053 | 52,593 |
| Transferred from software development in progress | – | – | – | – | 1,416 | – | 1,416 |
| Additions | – | – | – | – | 2,381 | – | 2,381 |
| Amortisation charge | – | – | – | (275) | (9,968) | (224) | (10,467) |
| Currency translation differences | – | (207) | – | (113) | (2) | (31) | (353) |
| **Closing net book amount** | – | 6,297 | – | 17,595 | 16,880 | 4,798 | 45,570 |
| **At 31 December 2021 and 1 January 2022** | | | | | | | |
| Cost | – | 9,297 | 10,382 | 23,415 | 97,488 | 7,544 | 148,126 |
| Accumulated amortisation | – | (3,000) | (10,382) | (5,820) | (80,608) | (2,746) | (102,556) |
| **Net book amount** | – | 6,297 | – | 17,595 | 16,880 | 4,798 | 45,570 |
| **Year ended 31 December 2022** | | | | | | | |
| Opening net book amount | – | 6,297 | – | 17,595 | 16,880 | 4,798 | 45,570 |
| Additions | 1,526 | – | – | – | 213 | 987 | 2,726 |
| Amortisation charge | – | – | – | (27) | (7,732) | (284) | (8,043) |
| Impairment loss | – | – | – | – | – | (3,296) | (3,296) |
| Currency translation differences | 61 | (156) | – | 465 | (2) | 77 | 445 |
| **Closing net book amount** | 1,587 | 6,141 | – | 18,033 | 9,359 | 2,282 | 37,402 |
| **At 31 December 2022** | | | | | | | |
| Cost | 1,587 | 9,141 | 10,382 | 24,004 | 98,026 | 8,764 | 151,904 |
| Accumulated amortisation and impairment loss | – | (3,000) | (10,382) | (5,971) | (88,667) | (6,482) | (114,502) |
| **Net book amount** | 1,587 | 6,141 | – | 18,033 | 9,359 | 2,282 | 37,402 |

## 18. INTANGIBLE ASSETS *(continued)*

At 31 December 2022, the remaining useful life of domains is nil (2021: 1 month) amounting to nil (2021: approximately RMB22,000). Since the Group has the legal rights to renew the trademarks upon expiration of every validity period, the trademarks have an indefinite useful life amounting to approximately RMB18,033,000 (2021: RMB17,573,000) at 31 December 2022. Since there is no expiration period for the publish right and digital assets owned by the Group, the publishing right and digital assets have an indefinite useful life amounting to approximately RMB6,141,000 (2021: RMB6,297,000) and RMB1,587,000 (2021: nil) at 31 December 2022, respectively.

The remaining useful life of software, website and mobile applications is 2 to 47 months (2021: 2 to 59 months).

The cost and accumulated amortisation of internally generated intangible assets are amounting to approximately RMB71,003,000 (2021: RMB71,003,000) and RMB66,119,000 (2021: RMB60,596,000) respectively.

## 19. GOODWILL

Goodwill is allocated to the Group's CGU identified according to country of operation and operating segment. A segment level summary of goodwill is presented below:

| | Digital platform – the PRC | Art platform – the PRC | | |
|---|---|---|---|---|
| | Digital media business RMB'000 | Art photography business RMB'000 | Art kitchen business RMB'000 | Total RMB'000 |
| **Cost** | | | | |
| **At 1 January 2021** | 36,475 | 11,850 | 2,009 | 50,334 |
| Currency translation differences | (264) | – | – | (264) |
| **At 31 December 2021 and 1 January 2022** | 36,211 | 11,850 | 2,009 | 50,070 |
| Currency translation differences | (198) | – | – | (198) |
| **At 31 December 2022** | 36,013 | 11,850 | 2,009 | 49,872 |
| **Impairment losses** | | | | |
| **At 1 January 2021** | – | 4,600 | 2,009 | 6,609 |
| Impairment loss | – | 3,620 | – | 3,620 |
| **At 31 December 2021 and 1 January 2022** | – | 8,220 | 2,009 | 10,229 |
| Impairment loss | – | 3,630 | – | 3,630 |
| **At 31 December 2022** | – | 11,850 | 2,009 | 13,859 |
| **Carrying amount** | | | | |
| **At 31 December 2022** | 36,013 | – | – | 36,013 |
| **At 31 December 2021** | 36,211 | 3,630 | – | 39,841 |

## 19. GOODWILL *(continued)*

The recoverable amounts of goodwill are determined based on value in use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The Group expected cash flow beyond the five-year period would be similar to that of the fifth year based on existing scale of operation. Cash flows beyond the five-year period are extrapolated using 2%-3% growth rates.

The key assumptions used for value in use calculations as at 31 December 2022 and 2021 are as follows:

| | Digital media business | Art photography business |
|---|---|---|
| **As at 31 December 2022** | | |
| Average annual growth rate of revenue during the next five-year period | 13% | 14% |
| Gross margin (% of revenue) | 45%-50% | 69% |
| Discount rate | 16.8% | 16.8% |
| Long term growth rate | 2% | 3% |
| **As at 31 December 2021** | | |
| Average annual growth rate of revenue during the next five-year period | 20% | 12% |
| Gross margin (% of revenue) | 45%-50% | 78% |
| Discount rate | 16.8% | 16.8% |
| Long term growth rate | 2%-3% | 3% |

Management determines budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant business.

As at 31 December 2022, due to the lower operation level of the art photography business, the recoverable amount is below its carrying amount by approximately RMB3,630,000 (2021: RMB3,620,000). Accordingly, impairment loss of approximately RMB3,630,000 (2021: RMB3,620,000) was recognised and included under "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

## 20. INVESTMENT IN A JOINT VENTURE

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **Unlisted investments in PRC:** | | |
| Share of net assets | 4,316 | – |

## 20. INVESTMENT IN A JOINT VENTURE (continued)

Investment in a joint venture is accounted for using the equity method.

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| At 1 January | – | – |
| Acquisition | 6,000 | – |
| Share of post-tax losses | (1,684) | – |
| At 31 December | 4,316 | – |

The particulars of the joint venture of the Group, which is unlisted, as at 31 December 2022, are as follows:

| Name of joint venture | Place of business/ country of incorporation | Particulars of paid up registered capital | Proportion of ownership interest held by the Group 2022 | Proportion of ownership interest held by the Group 2021 | Principal activities |
|---|---|---|---|---|---|
| Zhuhai Yuanbang Technology Co., Ltd. ("Zhuhai Yuanbang")* 珠海元邦科技有限公司 | the PRC | RMB10,000,000 | 60% | – | Internet culture management and software development |

* The English translation of the Company name is for reference only. The official name of the company established in the PRC is in Chinese.

The joint venture is jointly controlled by the Group and a joint venturer under an investment agreement and a shareholder agreement.

The financial information of Zhuhai Yuanbang, which is not material to the Group.

## 21. SOFTWARE DEVELOPMENT IN PROGRESS

| | RMB'000 |
|---|---|
| At 1 January 2021 | 2,104 |
| Transfer to intangible assets | (1,416) |
| Impairment loss | (636) |
| At 31 December 2021, 1 January 2022 and 31 December 2022 | 52 |

## 22. INVENTORIES

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Artworks | 83,556 | 59,277 |
| Other goods | 1,602 | 2,332 |
| | 85,158 | 61,609 |

## 23. TRADE AND OTHER RECEIVABLES

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Trade receivables | 176,950 | 190,297 |
| Less: ECL allowance of trade receivables | (5,662) | (8,818) |
| Trade receivables, net | 171,288 | 181,479 |
| **Other receivables:** | | |
| Value-added tax recoverable | 11,195 | 13,137 |
| Prepayments | 9,743 | 14,668 |
| Printing deposits | 11,933 | 11,176 |
| Rental, utility and other deposits | 5,883 | 7,811 |
| Advances and loans to employees *(note)* | 2,483 | 5,736 |
| Amount due from a senior management *(note)* | 103 | 1,239 |
| Tax recoverable | 497 | – |
| Others | 1,592 | 6,046 |
| | 214,717 | 241,292 |
| Less: non-current portion: | | |
| Prepayments for property, plant and equipment, and intangible assets | (832) | (3,285) |
| Current portion | 213,885 | 238,007 |

*Note:* The amount due from a senior management and advances and loans to employees are unsecured, interest-free and repayable on demand.

## 23. TRADE AND OTHER RECEIVABLES (continued)

The ageing analysis of trade receivables, based on invoice dates, before ECL allowance, was as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Trade receivables, gross | | |
| Within 30 days | 57,898 | 50,037 |
| Over 30 days and within 90 days | 43,885 | 53,399 |
| Over 90 days and within 180 days | 29,193 | 40,443 |
| Over 180 days and within 1 year | 37,918 | 21,982 |
| Over 1 year and within 2 years | 5,935 | 17,473 |
| Over 2 years and within 3 years | 878 | 3,096 |
| Over 3 years | 1,243 | 3,867 |
| | 176,950 | 190,297 |

The credit period granted to advertising and circulation customers is between 30 to 180 days (with a certain limited number of customers granted a credit period of 270 days). No interest is charged on the outstanding trade receivables.

All of the trade receivables are expected to be recovered within one year.

The Group applies simplified approach to estimate ECL prescribed in IFRS 9. Movements in ECL allowance of trade receivables were as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| At 1 January | 8,818 | 7,703 |
| Change in ECL allowance | (1,921) | 1,125 |
| Written off | (1,250) | – |
| Exchange difference | 15 | (10) |
| At 31 December | 5,662 | 8,818 |

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 or 31 December 2021 respectively and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

## 23. TRADE AND OTHER RECEIVABLES *(continued)*

On that basis, the loss allowance as at 31 December 2022 and 2021 is determined as follows for trade receivables:

| | Expected loss rate | Gross carrying amount RMB'000 | Lifetime ECL allowance RMB'000 | Net carrying amount RMB'000 |
|---|---|---|---|---|
| **At 31 December 2022** | | | | |
| Collective assessment | | | | |
| – Not yet past due | 1.4% | 102,018 | 1,428 | 100,590 |
| – Within 1 year past due | 1.8% | 68,223 | 1,228 | 66,995 |
| – Between 1 and 2 years past due | 3.3% | 3,226 | 106 | 3,120 |
| – Between 2 and 3 years past due | 9.1% | 641 | 58 | 583 |
| – Over 3 years past due | 100.0% | 364 | 364 | – |
| Individual assessment | 100.0% | 2,478 | 2,478 | – |
| | | 176,950 | 5,662 | 171,288 |
| **At 31 December 2021** | | | | |
| Collective assessment | | | | |
| – Not yet past due | 2.2% | 99,387 | 2,186 | 97,201 |
| – Within 1 year past due | 2.8% | 69,770 | 1,954 | 67,816 |
| – Between 1 and 2 years past due | 4.1% | 15,331 | 629 | 14,702 |
| – Between 2 and 3 years past due | 14.0% | 2,046 | 286 | 1,760 |
| – Over 3 years past due | 100.0% | 51 | 51 | – |
| Individual assessment | 100.0% | 3,712 | 3,712 | – |
| | | 190,297 | 8,818 | 181,479 |

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 3 years past due.

## 24. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Cash at bank and on hand | 90,831 | 72,710 |
| Less: pledged bank deposits | (50,000) | (25,231) |
| Cash and cash equivalents | 40,831 | 47,479 |

The Group's pledged bank deposits amounting to approximately RMB50,000,000 (2021: RMB25,231,000) represented deposits pledged to bank to secure bank borrowings amounting to approximately RMB52,000,000 (2021: RMB26,000,000) granted to the Group as set out in note 27 to the consolidated financial statements for the year ended 31 December 2022.

## 25. TRADE AND OTHER PAYABLES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Trade payables | 77,035 | 50,817 |
| **Other payables:** | | |
| Accrued taxes other than income tax *(note a)* | 8,247 | 6,551 |
| Other payables *(note b)* | 21,434 | 15,400 |
| Salaries, wages, bonus and benefits payable | 4,744 | 4,317 |
| Amount due to a joint venture *(note c)* | 5,400 | – |
| Amount due to a director *(note c)* | 946 | 3,523 |
| Other liabilities | 4,134 | 3,817 |
| | 121,940 | 84,425 |

The ageing analysis of the trade payables of the Group, based on the invoice dates, is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Within 30 days | 42,560 | 19,773 |
| Over 30 days and within 90 days | 17,327 | 10,404 |
| Over 90 days and within 180 days | 6,191 | 5,536 |
| Over 180 days | 10,957 | 15,104 |
| | 77,035 | 50,817 |

*Note a:*

Accrued taxes other than income tax mainly consist of value-added tax payables, surtax payables and related surcharges, and individual income tax payables.

*Note b:*

Other payables mainly represents advertising production expenses, office expenses and marketing and promotion expenses.

*Note c:*

Amounts due to a director and a joint venture were unsecured, interest-free and repayable on demand.

## 26. CONTRACT LIABILITIES

| | As at 31 December 2022 RMB'000 | As at 31 December 2021 RMB'000 | As at 1 January 2021 RMB'000 |
|---|---|---|---|
| Total contract liabilities from advertising income | 9,870 | 8,316 | 4,375 |

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| -2022 | N/A | 8,316 |
| -2023 | 9,870 | – |

| Year ended 31 December | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Revenue recognised in the year that was included in contract liabilities at beginning of year | 8,316 | 4,375 |

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

## 27. BORROWINGS

The analysis of the carrying amount of borrowings is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Secured bank borrowings | 175,017 | 146,953 |
| The borrowings are repayable as follows: | | |
| Within one year or on demand | 175,017 | 146,953 |

The average interest rates at 31 December were as follows:

| | 2022 | 2021 |
|---|---|---|
| Secured bank borrowings | 2.88% – 7.5% | 2.25% – 4% |

Borrowings of approximately RMB110,000,000 (2021: RMB85,000,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

As at 31 December 2022, bank borrowings were secured by certain properties of the Group with aggregate carrying amount of approximately RMB128,835,000 (including in investment property of approximately RMB36,170,000 and property, plant and equipment of approximately RMB92,665,000) (2021: approximately RMB125,951,000 (including in investment property of approximately RMB37,700,000 and property, plant and equipment of approximately RMB88,251,000)) and/or is guaranteed by Mr. Shao/Mr. Shao's spouse/the Company/the subsidiaries of the Company. Bank borrowings were also secured by pledged bank deposits of approximately RMB50,000,000 (2021: RMB25,231,000) as at 31 December 2022.

During the year, the Group has violated several covenants attached to the interest-bearing borrowings. Breaches in meeting the covenants would permit the bank to immediately call borrowings.

## 28. LEASE LIABILITIES

| | Lease payments 2022 RMB'000 | Present value of lease payments 2022 RMB'000 | Lease payments 2021 RMB'000 | Present value of lease payments 2021 RMB'000 |
|---|---|---|---|---|
| Within one year | 15,850 | 12,775 | 18,196 | 15,579 |
| In the second to fifth years, inclusive | 50,365 | 40,737 | 30,597 | 22,936 |
| After five years | 18,400 | 17,494 | 26,900 | 24,894 |
| | 84,615 | 71,006 | 75,693 | 63,409 |
| Less: Future finance charges | (13,609) | | (12,284) | |
| Present value of lease liabilities | 71,006 | | 63,409 | |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | (12,775) | | (15,579) |
| Amount due for settlement after 12 months | | 58,231 | | 47,830 |

At 31 December 2022 and 2021, the effective interest rate was 5.22%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

## 29. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount due is unsecured, interest free and shall be used as against any future distributions of profits of a subsidiary to the non-controlling shareholder.

## 30. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Reconciliation to the consolidated statement of financial position:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Deferred income tax assets | 1,630 | 2,870 |
| Deferred income tax liabilities | 9,963 | 10,375 |

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

| Deferred income tax assets | **Tax losses carried forward**<br>RMB'000 |
|---|---|
| At 1 January 2021 | – |
| Charged to profit or loss | 2,870 |
| At 31 December 2021 and 1 January 2022 | 2,870 |
| Credited to profit or loss | (1,240) |
| At 31 December 2022 | 1,630 |

As at 31 December 2022, subject to agreement by tax authorities, the Group had estimated tax losses of approximately RMB20,998,000 (2021: RMB12,413,000) in Hong Kong which are available for offsetting against future taxable profits of the companies in which the losses arose. The tax losses do not expire under the current Hong Kong tax legislation; the Group had estimated tax losses of approximately RMB21,806,000 (2021: RMB15,091,000) in United Kingdom which are available for offsetting against future taxable profits of the companies in which the losses arose. The tax losses do not expire under the current United Kingdom tax legislation. Tax losses of approximately RMB126,392,000 (2021: RMB91,432,000) in the PRC are available for offsetting against future profits that may be carried forward for five years for PRC Corporate Income Tax purpose. Except for tax losses approximately RMB6,520,000 (2021: RMB11,480,000), no other deferred income tax assets have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available for the companies in which the losses arose.

As at 31 December 2022, the Group has deductible temporary difference in relation to ECL allowance for trade receivables of approximately RMB3,184,000 (2021: RMB5,106,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the temporary difference can be utilised.

## 30. DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

| Deferred income tax liabilities | Revaluation of investment property RMB'000 | Fair value adjustment on business combination RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2021 | 5,979 | 4,437 | 10,416 |
| Currency translation differences | – | (41) | (41) |
| At 31 December 2021 and 1 January 2022 | 5,979 | 4,396 | 10,375 |
| Credit to profit or loss | (383) | – | (383) |
| Currency translation differences | – | (30) | (30) |
| At 31 December 2022 | 5,597 | 4,366 | 9,963 |

As at 31 December 2022, deferred tax liabilities of approximately RMB3,430,000 (2021: RMB4,298,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will be reinvested in their operation rather than remitting them to the Company in the foreseeable future.

The Group's investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sales. The Group has measured the deferred tax relating to the temporary differences of this investment property using the tax rates enacted or substantively enacted at the end of the reporting periods.

## 31. SHARE CAPITAL

| | Number of ordinary shares of HK$0.01 per share '000 | HK$'000 |
|---|---|---|
| **Authorised** | | |
| At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022 | 8,000,000 | 80,000 |
| | '000 | RMB'000 |
| **Issued and fully paid** | | |
| At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022 | 438,353 | 3,853 |

## 31. SHARE CAPITAL *(continued)*

### Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group also monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents, and pledged bank deposits. Total borrowings include borrowings and lease liabilities. Total capital is calculated as "equity" as shown in the consolidated financial statements plus net debt.

The gearing ratios as at 31 December 2022 and 2021 are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Total borrowings | 246,023 | 210,362 |
| Less: Cash and cash equivalents | (40,831) | (47,479) |
| Pledged bank deposits | (50,000) | (25,231) |
| Net debt | 155,192 | 137,652 |
| Total equity | 316,599 | 378,841 |
| Total capital | 471,791 | 516,493 |
| Gearing ratio | 32.9% | 26.7% |

The gearing ratio increased mainly due to the increase of total borrowings and decrease in total equity.

## 32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### (a) Statement of financial position of the Company

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | 1,587 | – |
| Investments in subsidiaries | 8,805 | 8,805 |
| | 10,392 | 8,805 |
| **Current assets** | | |
| Other receivables | 12 | 8,300 |
| Amounts due from subsidiaries | 133,588 | 120,713 |
| Cash and cash equivalents | 690 | 446 |
| | 134,290 | 129,459 |
| **Current liabilities** | | |
| Other payables | 4,072 | 5,682 |
| Amounts due to subsidiaries | 11,995 | 11,995 |
| | 16,067 | 17,677 |
| **Net current assets** | 118,223 | 111,782 |
| **Total assets less current liabilities** | 127,028 | 120,587 |
| **NET ASSETS** | 127,028 | 120,587 |
| **Capital and reserves** | | |
| Share capital | 3,853 | 3,853 |
| Reserves | 123,175 | 116,734 |
| **TOTAL EQUITY** | 127,028 | 120,587 |

## 32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

### (b) Reserve movement of the Company

| | Share premium RMB'000 | Translation reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2021 | 145,302 | (12,491) | (7,096) | 125,715 |
| Loss for the year | – | – | (5,360) | (5,360) |
| Other comprehensive expenses | – | (3,621) | – | (3,621) |
| At 31 December 2021 and 1 January 2022 | 145,302 | (16,112) | (12,456) | 116,734 |
| Loss for the year | – | – | (4,538) | (4,538) |
| Other comprehensive expenses | – | 10,979 | – | 10,979 |
| At 31 December 2022 | 145,302 | (5,133) | (16,994) | 123,175 |

## 33. RESERVES

### (a) Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

### (b) Nature and purpose of reserves on the consolidated statement of changes in equity

#### (i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands (the "Companies Law"). Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed; the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

#### (ii) Statutory surplus reserves

In accordance with the relevant laws and regulations in the PRC and the Articles of Association of the companies incorporated in the PRC of the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve before distributing the net profit. When the balance of the statutory surplus reserve reaches 50% of the share capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. For the year ended 31 December 2022, approximately RMB85,000 (2021: RMB5,510,000) were appropriated to the statutory surplus reserve from net profits of certain PRC subsidiaries.

## 33. RESERVES *(continued)*

### (b) Nature and purpose of reserves on the consolidated statement of changes in equity *(continued)*

#### (iii) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policy as set out in Note 3.

#### (iv) Other reserves

Other reserves comprise (i) the aggregate amount of paid-in capital of the PRC Operational Entities after elimination of investments in subsidiaries; and (ii) the difference between the consideration paid/received for the acquisition/dilution of non-controlling interests and the carrying amount of non-controlling interests at the transaction date, less the foreign exchange movements on translation of those subsidiaries attributable to the non-controlling interests.

#### (v) Property revaluation reserve

Revaluation reserve arises from transfer of owner-occupied properties to investment property. The property revaluation reserve of the Group is not distributable.

#### (vi) Fair value reserve (non-recycling)

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the "fair value reserve (non-recycling)" within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

## 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

| | Amount due to a joint venture RMB'000 | Borrowings RMB'000 | Lease liabilities RMB'000 | Total liabilities from financing activities RMB'000 |
|---|---|---|---|---|
| At 1 January 2021 | – | 103,301 | 23,716 | 127,017 |
| Changes in cash flows | – | 40,885 | (14,787) | 26,098 |
| Non-cash changes | | | | |
| – interest accrued | – | 4,693 | 1,748 | 6,441 |
| – additions to lease liabilities | – | – | 52,999 | 52,999 |
| – other payables | – | – | (246) | (246) |
| – currency translation differences | – | (1,926) | (21) | (1,947) |
| At 31 December 2021 and 1 January 2022 | – | 146,953 | 63,409 | 210,362 |
| Changes in cash flows | 5,400 | 17,519 | (19,256) | 3,663 |
| Non-cash changes | | | | |
| – interest accrued | – | 4,913 | 2,945 | 7,858 |
| – additions to lease liabilities | – | – | 25,235 | 25,235 |
| – termination of lease | – | – | (1,304) | (1,304) |
| – currency translation differences | – | 5,632 | (23) | 5,609 |
| At 31 December 2022 | 5,400 | 175,017 | 71,006 | 251,423 |

### (b) Major non-cash transactions

(i) During the year ended 31 December 2022, the Group has acquired inventories amounting to approximately RMB11,166,000 by setting off trade receivables amounting to approximately RMB10,828,000 and the remaining balances were outstanding.

(ii) During the year ended 31 December 2022, the Group has received inventories amounting to approximately RMB4,660,000, which payments were made in prior years.

(iii) During the year ended 31 December 2022, the Group has acquired inventories amounting to approximately RMB1,785,000 settled by amount due to a director.

(iv) During the year ended 31 December 2022, the Group has acquired a motor vehicle by trading in another motor vehicle at a trade-in price amounting to approximately RMB1,142,000.

## 35. RELATED PARTY TRANSACTIONS

The Group has entered into the following material related party transactions during the reporting period:

### (a) Transactions with related parties

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the years ended 31 December 2022 and 2021:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Purchases inventories from a director | 1,785 | – |
| Sales to a joint venture | 310 | – |

### (b) Key management personnel remuneration

Remuneration for key management personnel including amounts paid to the Company's Directors and all of the highest paid employees as disclosed in note 12, is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Salaries and allowances | 14,160 | 12,475 |
| Retirement scheme contributions | 353 | 427 |
| | 14,513 | 12,902 |

Total remuneration is included in "staff costs".

## 36. PENDING LITIGATIONS

On 6 July 2022, Modern Media Company Limited ("MMCL"), the publisher of the Chinese edition of Bloomberg Businessweek published the 250th issue ("Chinese Issue") with Zhao Changpeng ("ZCP") on the cover page and published an image of the cover page of the Chinese Issue on Twitter and Facebook.

The cover page of the Chinese Issue contained a headline ("the Headline") which formed part of an article appearing in the Chinese Issue ("the Chinese Article").

Upon being approached by ZCP's public relations team, MMCL had on a without admission of liability basis taken steps to delete the tweet and Facebook post and recalled the physical publication of the Chinese Issue within Hong Kong.

On 25 July 2022, ZCP commenced civil proceedings against MMCL alleging, among others, the publication of the Chinese Issue, the tweet on Twitter account containing the cover page with the Headline and a Facebook post containing the cover page with the Headline were all defamatory and sought among others, injunction, order to apologize, damages and costs against MMCL.

After taken legal advice from solicitors and counsel, MMCL has been advised that there is an arguable case and has since filed a defence denying the Headline was defamatory. Further, the Chinese Article was published on an occasion of qualified privilege and/or a statement of a matter of public interest; fair and reasonable steps were taken in the gathering and publishing of the information; and it was justifiable to include the Headline in the Chinese Article because the former was part of the story.

The legal proceedings are in still in early stages and MMCL has filed a Defence and will defend strenuously. Although the ultimate result of legal proceedings cannot be predicted with certainty, it is the opinion of the Company's Directors that the outcome of any claim which is pending, either individually or on a combined basis, will not have a material effect on the financial position of the Group, its cash flows and result of operations.

## 37. CAPITAL COMMITMENTS

At 31 December 2022 and 2021, the Group had the following capital commitments in respect of the purchase of property, plant and equipment not provided for in the consolidated financial statements:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Contracted but not provided for: | | |
| Property, plant and equipment | 509 | 1,401 |

## 38. OTHER COMMITMENTS

At 31 December 2022 and 2021, the Group entered into licensing agreements with the publishing partners to obtain the exclusive rights for the sale of advertising spaces in and the distribution of the magazines. The total future minimum payments under non-cancellable licensing agreements are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Within 1 year | 19,393 | 16,773 |
| After 1 year but within 5 years | 67,354 | 62,197 |
| Over 5 years | 58,151 | 59,398 |
| | 144,898 | 138,368 |

## 39. PARTICULARS OF SUBSIDIARIES

(a) The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The Company has interests in the following subsidiaries, all of which are private companies with limited liability, particulars of which as at 31 December 2022 and 2021 are set out below:

| Name of subsidiaries | Notes | Place of incorporation/ business | Issued and paid up capital | Percentage of ownership interest/voting power/profit sharing Direct | Indirect | Principal activities |
|---|---|---|---|---|---|---|
| E-Starship Limited | | BVI | US$1 | 100% | – | Investment holding |
| Modern Digital Holdings Limited | | Cayman Islands | HK$14,286 | – | 70% | Investment holding |
| Zhuhai Modern Media Co.,Ltd.#<br>珠海現代文化傳播有限公司 | (i) | PRC | HK$68,000,000 | – | 100% | Research and development, provision of advertising and consultancy service |
| Yazhimei Digital Communication (Shenzhen) Co., Ltd.#<br>雅致美數字傳播(深圳)有限公司 | (i) | PRC | HK$2,000,000 | – | 70% | Provision of management and consultation services |
| Shenzhen Yage Zhimei Information Media Co., Ltd.#<br>深圳市雅格致美資訊傳播有限公司 | (i), (ii) | PRC | RMB2,000,000 | – | 100% | Holding company of investment property and advertisement production |
| Guangzhou Xiandai Yidong Shuma Chuanbo Co., Ltd.#<br>廣州現代移動數碼傳播有限公司 | (ii) | PRC | RMB10,000,000 | – | 100% | Provision of digital publishing business |

## 39. PARTICULARS OF SUBSIDIARIES *(continued)*

| Name of subsidiaries | Notes | Place of incorporation/ business | Issued and paid up capital | Percentage of ownership interest/voting power/profit sharing Direct | Indirect | Principal activities |
|---|---|---|---|---|---|---|
| Guangzhou Modern Information Media Co., Ltd.# 廣州現代資訊傳播有限公司 | (ii) | PRC | RMB60,000,000 | – | 100% | Publication of magazines in the PRC, provision of advertising agencies, retail sales of imported books and planning of literary arts activities and exhibitions |
| Guangzhou Modern Books Co., Ltd.# 廣州現代圖書有限公司 | (ii) | PRC | RMB5,010,000 | – | 100% | Publication of magazines in the PRC, design and selling of advertising spaces |
| Shanghai Senyin Information Technology Co., Ltd.# 上海森音信息技術有限公司 | (ii) | PRC | RMB1,000,000 | – | 100% | Provision of website development business |
| Shanghai Yizhi Advertising Co., Ltd.# 上海意致廣告有限公司 | | PRC | RMB1,000,000 | – | 70% | Provision of advertising agency services |
| Shanghai Xinxuefen Culture Media Co., Ltd.# 上海心學分文化傳播有限公司 | (ii) | PRC | RMB10,000,000 | – | 65% | Publication of magazines in the PRC, provision of advertising agencies and event management services |
| Modern Media Films (Guangzhou) Co., Ltd.# 摩登傳媒影業(廣州)有限公司 | (ii) | PRC | RMB3,100,000 | – | 100% | Film investment |
| City Howwhy Limited | | Hong Kong | HK$2 | – | 100% | Publication of magazines in Hong Kong |
| Modern Media Company Limited | | Hong Kong | HK$1,000,000 | – | 100% | Provision of advertising agency services |

## 39. PARTICULARS OF SUBSIDIARIES *(continued)*

| Name of subsidiaries | Notes | Place of incorporation/ business | Issued and paid up capital | Percentage of ownership interest/voting power/profit sharing Direct | Indirect | Principal activities |
|---|---|---|---|---|---|---|
| Modern Mobile Digital Media Company Limited | | Hong Kong | HK$2 | – | 70% | Provision of digital publishing business |
| Modern Art International Trading Limited | | Hong Kong | HK$1,000,000 | – | 100% | Artwork trading |
| Shanghai Shangzhao E-Commerce Co., Ltd.# 上海尚照電子商務有限公司 | | PRC | RMB4,638,230 | – | 51% | Operation of galleries and cafe shops |
| Shanghai Zhongshe Cultural Development Co., Ltd.# 上海眾社文化發展有限公司 | | PRC | RMB500,000 | – | 51% | Operation of galleries and cafes, organization of photography exhibitions, operation of online shop and physical stores for sales of photography artworks |
| Art Review Ltd. | | UK | £125,667 | – | 85% | Provision of print and digital publishing business |
| Shanghai Zhiwu Culture Media Co., Ltd.# 上海誌屋文化傳播有限責任公司 | | PRC | RMB100,000 | – | 100% | Provision of artwork trading, auction, and holding of art exhibition |

(i) These companies are established in the PRC as wholly foreign-owned enterprises.

(ii) The equity interests of these entities are held by PRC nationals and/or entities on behalf of the Group.

(iii) Historically, PRC rules and regulations restricted foreign ownership of companies in certain industries. The Group has been conducting its operations in these industries through subsidiaries controlled by contractual agreements which are ultimately wholly-owned by Mr. Shao.

\# The company name in English is not the official name but a translation for reference only.

## 39. PARTICULARS OF SUBSIDIARIES *(continued)*

### (b) Details of non-wholly owned subsidiary that have material non-controlling interests ("NCI")

The following table shows information of the subsidiary that has NCI material to the Group. The summarised financial information represents amounts before inter-company eliminations.

| | | |
|---|---|---|
| Name | **Modern Digital Holdings Limited** | |
| Principal place of business/country of incorporation | **Hong Kong/Cayman Islands** | |
| | 2022 | 2021 |
| % of ownership interest/voting rights held by NCI | 30.00% | 30.00% |
| | RMB'000 | RMB'000 |
| **As 31 December:** | | |
| Non-current assets | 45,374 | 51,098 |
| Current assets | 367,521 | 422,267 |
| Non-current liabilities | (3,035) | – |
| Current liabilities | (153,879) | (223,360) |
| Net assets | 255,981 | 250,005 |
| Carrying amount of NCI | 76,794 | 75,002 |
| **Year ended 31 December:** | | |
| Revenue | 130,472 | 185,581 |
| (Loss)/profit for the year | (620) | 55,404 |
| Total comprehensive income for the year | 5,976 | 54,209 |
| (Loss)/profit allocated to NCI | (186) | 16,621 |
| Net cash flows generated from operating activities | 428 | 10,810 |
| Net cash flows used in investing activities | (145) | (89) |
| Net cash flows used in financing activities | (5,614) | (7,024) |
| Net (decrease)/increase in cash and cash equivalents | (5,331) | 3,697 |

## 40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 27 March 2022.

# Five Year Financial Summary

## RESULTS

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2022<br>RMB'000 | 2021<br>RMB'000 | 2020<br>RMB'000 | 2019<br>RMB'000 | 2018<br>RMB'000 |
| Revenue | 370,891 | 422,895 | 313,128 | 448,600 | 448,964 |
| (Loss)/profit before tax | (70,223) | 2,894 | (71,774) | 279 | (31,509) |
| Income tax (expense)/credit | (2,010) | 1,480 | 1,799 | (1,507) | (2,961) |
| (Loss)/profit for the year | (72,233) | 4,374 | (69,975) | (1,228) | (34,470) |

## ASSETS AND LIABILITIES

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | 2022<br>RMB'000 | 2021<br>RMB'000 | 2020<br>RMB'000 | 2019<br>RMB'000 | 2018<br>RMB'000 |
| Total assets | 716,680 | 705,107 | 637,555 | 760,234 | 641,233 |
| Total liabilities | (400,081) | (326,266) | (261,053) | (310,719) | (189,186) |
| Total equity | 316,599 | 378,841 | 376,502 | 449,515 | 452,047 |

# 超媒體集團
# META MEDIA GROUP

**香港 HONG KONG**
香港香港仔黄竹坑道21號環匯廣場7樓
7/F, Global Trade Square, 21 Wong Chuk Hang Road, Aberdeen, Hong Kong
Tel: (852) 2250 9188  Fax: (852) 2891 9719
E-mail: hk@modernmedia.com.cn

**廣州 GUANGZHOU**
廣州市天河區珠江東路12號高德置地冬廣場H棟2203單元
郵編：510623
1Unit 2203, Tower H, GT Land Plaza,
No.12 East Zhujiang Road, Tianhe District,
Guangzhou
Tel: (8620) 3879 1622  Fax: (8620) 3879 1623
E-mail: gz@modernmedia.com.cn

**上海 SHANGHAI**
上海市黄浦區建國中路10號8號橋園區
郵編：200025
No.10(bridge8) Middle JianGuo Road, Shanghai
200025, China
Tel : (8621) 6335 3637
E-mail : sh@modernmedia.com.cn

**北京 BEIJING**
北京市朝陽區工體東路中國紅階甲2號5樓
郵編：100027
5/F, No.A2, China View, East Gongti Road
Chaoyang District, Beijing 100027, China
Tel: (8610) 6561 5550  Fax: (8610) 6561 0819
E-mail: bj@modernmedia.com.cn

**深圳 SHENZHEN**
深圳市福田區竹子林紫竹陸路金民大厦1006室
郵編：518040
Suite 1006, Jinmin Building, Zizhu Sixth Road
ZhuzilinFutian District
Shenzhen 518040, China
Tel: (86755) 8831 6511
E-mail: sz@modernmedia.com.cn


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