H.BROTHERS ENTERTAINMENT
華誼騰訊娛樂

ANNUAL REPORT 2023

華誼騰訊娛樂有限公司
Huayi Tencent Entertainment Company Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00419)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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Mr. CHENG Wu *(Vice Chairman)*
Mr. YUEN Hoi Po *(Chief Executive Officer)*

Independent Non-executive Directors

Mr. YUEN Kin
Mr. CHU Yuguo
Ms. WANG Song Song
Ms. PAN Min

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. HAU Wai Man, Raymond

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

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I am pleased to present the annual results of Huayi Tencent Entertainment Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2023.

With the arrival of the post-pandemic era, there has been a notable shift in consumer attitudes and preferences towards healthcare models. The convenience offered by internet pharmaceutical and healthcare services has gained popularity among consumers, leading to a rapid increase in online healthcare service users. Additionally, the PRC government has been actively promoting digital transformation, accelerating industry development. In 2023, the State Council issued the "Plan for the Overall Layout of Building a Digital China", aiming to expedite the construction of a digital China and achieve integrated advancement by 2025. As the "14th Five-Year Plan" is gradually implemented and relevant policies are introduced, the internet healthcare market is experiencing a new wave of opportunities. According to the research report "Research Report on Market Analysis and Investment Risk Trend Forecast in the Chinese Digital Healthcare Industry 2022–2027", published by the China Commercial Industry Research Institute, the global digital healthcare market is expected to reach US$286.35 billion in 2023 and US$365.67 billion in 2024, indicating significant potential in this emerging market.

The Group has capitalized on market opportunities and persistently strengthened and improved the positioning of its internet pharmaceutical and healthcare business, making steady progress. The Group has two core businesses: Echartnow, the digitized operation service in the healthcare industry, which has experienced rapid expansion with 56% growth in revenue in 2023; and Meerkat Health, the smart healthcare services platform, whose business structure has been refined and optimized so as to enhance cost-effectiveness. At the same time, the Group has divested itself from the operation of the non-core business, Bayhood No. 9 Club, in order to further optimize cash flow and profitability.

During the year, Echartnow has achieved several significant milestones in its business development. It has made further advancements on the foundation of the industry-wide healthcare service ecosystem by developing the "Cistanche Digitized Operation and Management Platform". This platform provides digital transformation services to pharmaceutical companies and their associated service providers, enabling seamless information flow and supporting the establishment of industry standards. In alignment with national policies on healthcare reform and the digitization of healthcare resources, Echartnow continues to expand its business scope. Echartnow has collaborated with Tencent to drive the research and application of AI technology in the healthcare industry, resulting in the launch of the ECN Yuanzhi Digital Human AI Solution. Furthermore, Echartnow has been actively expanding its collaborations with strategic partners and doctors. The number of contracted pharmaceutical companies and the coverage of doctors have steadily increased, demonstrating widespread recognition and solidifying its position as a market leader. Additionally, Echartnow has received investment endorsement from a state-owned enterprise, further validating its exceptional performance and market acceptance. Looking ahead, Echartnow will accelerate the utilization of AI technology and implement multidimensional work systems and standardized processes to maintain its leading position in the industry and strengthen its business defenses and competitive advantages.

In addition to the ongoing expansion of its core businesses, the Group is actively diversifying its financing channels to establish a solid foundation for future development. In March 2024, the Group entered into an agreement for the subscription of HK$120 million convertible bonds with Hony Capital, a prominent investment management group in the PRC. The proceeds raised from this subscription will be utilized as the Group's working capital to support the growth of its core businesses. With assets under management exceeding RMB 120 billion, Hony Capital covers various sectors, including digital technology, cultural technology, and consumer services. The Group looks forward to a deeper collaboration with Hony Capital in the fields of health technology and cultural entertainment.

May I also take this opportunity to, on behalf of the Board, express gratitude to the shareholders, investors and business partners for the trust and support all along, and to all our staff who have been working tirelessly and unitedly, laying a solid foundation for the development of the Group.

YUEN Hoi Po
Executive Director and Chief Executive Officer
Huayi Tencent Entertainment Company Limited

Hong Kong, 26 March 2024

The "14th Five-Year Plan" proposes a key focus on promoting the market for smart healthcare and digitization of healthcare resources. It suggests the cultivation of a new model known as "Internet Plus Healthcare", which benefits from changes in the healthcare model following the pandemic, the expanding scope of telemedicine, and the continuous introduction and refinement of healthcare policies. As a result, China's internet healthcare market is experiencing rapid development, with a sustained increase in demand. According to a report by Frost & Sullivan, the Chinese internet healthcare market has shown rapid growth since 2020 and is projected to reach RMB 200 billion by 2026, indicating significant potential in this emerging market.

In 2023, the Group maintained its focus on expanding its internet pharmaceutical and healthcare services in the PRC. It placed particular emphasis on two core businesses: "Echartnow", the digitized operation service in the healthcare industry (formerly known as online prescription, circulation and marketing of pharmaceutical products), and "Meerkat Health", a smart healthcare services platform. Simultaneously, non-core businesses were divested to reduce costs and improve efficiency, with the goal of further optimizing cash flow and profitability. During the year, "Echartnow" achieved significant milestones in business development, capitalizing on healthcare reforms and the digitization of healthcare resources driven by national policies. This expansion of the digitized operation service in the healthcare industry enabled the Group to consolidate its market position, expand its market share, and seize opportunities within the industry.

For the year ended 31 December 2023, the Group's total revenue from continuing operations amounted to HK$1,344,031,000 (2022: HK$1,581,391,000), reflecting a decrease of 15% compared to 2022. One of the primary reasons for this decline is that the "Entertainment and Media" segment currently has no plans to invest in new entertainment and media projects, leading to a significant reduction in revenue of approximately 99.5% to around HK$682,000 (2022: HK$150,964,000).

During the year, one of the primary sources of revenue for the Group was "Echartnow", the digitized operation service in the healthcare industry. It recorded a significant 56% increase in revenue to approximately HK$943,936,000 (2022: HK$606,218,000), accounting for 70% of the Group's total annual revenue (2022: 38%). The digitized operation services offered to pharmaceutical companies by Echartnow, including a digitized management system, online marketing and promotion services, clinical research services, and the Cistanche SaaS Platform, is now a proven success model with growth sustainability. The number of pharmaceutical companies that have signed contracts with Echartnow has increased to 245, representing a substantial 53% growth (2022: 160). This reflects the widespread recognition and acceptance of the services provided by Echartnow among pharmaceutical clients. On the other hand, in order to raise gross profit margin and reduce operating losses, the management of "Meerkat Health" has intentionally cut down medical services business and those healthcare consumption revenue streams with low gross profit margins and focused on exploring new products/services with higher gross profit margin. Consequently, the revenue from the "Meerkat Health" business decreased by 52% to approximately HK$399,413,000 (2022: HK$824,209,000). However, there was a significant 75% increase in gross profit, amounting to HK$28,529,000 (2022: HK$16,282,000).

For the "Entertainment and Media" segment, the Group did not invest in any new film or television drama projects in 2023. However, the segment's performance improved, shifting from a loss to a profit, with a recorded segment profit of HK$3,550,000 (2022: segment loss of HK$122,882,000). In addition, the Group holds a 30.77% stake in HB Entertainment from South Korea, which launched two television dramas, "Battle for Happiness" and "My Man Is Cupid", during the year. This led to a substantial increase in HB Entertainment's revenue compared to the previous year, reaching approximately HK$245,352,000 (2022: HK$33,283,000). Consequently, the Group's share of its loss narrowed down by 68% to approximately HK$1,556,000 (2022: a share of loss HK$ 4,817,000).

The Group has also taken steps to gradually divest from non-core businesses to optimize resource allocation. It ceased its operations of the healthcare and wellness service, "Bayhood No. 9 Club", on 5 October 2023. As a result, the Group no longer engages in the operations of "Bayhood No. 9 Club". The recorded revenue for the year amounted to approximately HK$92,271,000 (2022: HK$110,670,000). Furthermore, the discontinued operations incurred a loss of HK$5,787,000 during the year (2022: a profit of HK$1,103,000).

In summary, the Group's businesses, Echartnow and Meerkat Health, both decreased their loss amounts by approximately half during the year. Furthermore, the "Entertainment and Media" segment turned its losses into profits. As a result, the Group's loss for the year significantly narrowed down to HK$125,354,000 (2022: HK$316,598,000), representing a reduction in losses of over 60% year-on-year.

BUSINESS REVIEW AND PROSPECTS

(1) "Echartnow", provision of digitized operation service in the healthcare industry

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

In April 2023, the Company, Echartnow, Zhangjiagang Yitang Equity Investment Partnership (Limited Partnership) ("**Zhangjiagang Yitang**") and others entered into the Capital Increase Agreements, pursuant to which Zhangjiagang Yitang agreed to make a cash contribution in total of RMB40,000,000 to acquire a 6.25% equity stake in Echartnow. Zhangjiagang Yitang is a state-owned sole proprietorship company in Zhangjiagang, Jiangsu Province. This investment, supported by a state-owned enterprise, will propel Echartnow's further expansion in the digitized healthcare operation market in the PRC. It will leverage the synergies of state-owned shareholders, national policies, business resources, and network capabilities to solidify Echartnow's position as a market leader. All capital increase and related restructuring matters within the Echartnow Group have been completed.

In addition, in May 2023, Echartnow entered into a two-year strategic cooperation agreement (the "**Strategic Cooperation Agreement**") with Tencent Cloud Computing (Beijing) Company Limited ("**Tencent Cloud**"), a subsidiary of Tencent Holdings Limited (Stock Code: 00700), pursuant to which the two parties promote digitalization of the healthcare industry in a concerted effort, in order to provide technical services, product development and tailor-made operation solutions for healthcare enterprises. According to the agreement, both parties will engage in business cooperation across multiple domains, including the procurement and joint development of products such as digital human, medical science popularization, pharmaceutical knowledge databases, AI, and audiovisual content. They will also collaborate on the integration and utilization of their respective resources, as well as joint branding activities. Echartnow will also join forces with Tencent Cloud to drive the research and application of AI technology in the healthcare industry, particularly focusing on small-sample learning and AI-generated content (AIGC). Together, they aim to expand the AI product market and have developed a comprehensive solution, ECN Yuanzhi Digital Human AI Solution ("**ECN Yuanzhi Digital Human**"), based on the characteristics of the industry and differentiated needs of enterprises. As a solution for building AIGC application scenarios, ECN Yuanzhi Digital Human is designed to address industry pain points, improve and optimize the productivity of doctors, and bring new opportunities for the production and application of high-quality medical education and science content by and for hospitals/doctors. With the collection of audio and video materials of doctors in just a few minutes, ECN Yuanzhi Digital Human is able to build an AI digital avatar and generate an AI digital avatar video rapidly, thus significantly enhancing the efficiency of popular science content production. With ECN Yuanzhi Digital Human, customers in the healthcare industry can create virtual images for doctors and quickly generate videos using technology and texts, thus help saving time for doctors. Since its launch, ECN Yuanzhi Digital Human has been highly acclaimed by customers in the healthcare industry.

Business Review

During the year, Echartnow has introduced several products, including the independently developed "Cistanche Open Platform" for digitized operation and management, along with the integration of AI capabilities. These initiatives aim to facilitate effective connections among doctors, patients, retail pharmacies, and pharmaceutical companies, creating a comprehensive, closed-loop private domain operation. Operating on the "private domain traffic" model, Echartnow offers customized "digitized operation solutions" to various stakeholders within the healthcare industry.

- Pharmaceutical companies — digitized operation solutions for the whole cycle of business development
- Retail pharmacies — professional digitized pharmacy solutions, facilitating the pharmacies to get connected with doctors and patients
- Doctors — closed-loop online consultation scene, including management of patients and electronic prescriptions, etc.
- Patients — they can now approach a doctor easily for online follow-up appointments and consultations and order prescribed drugs, etc., via the WeChat mini-app "Echartnow Assistant to Medical Advice"

Through the TOB strategy of "pharmaceutical companies driving the whole industry chain", Echartnow uses the above closed-loop scenario-based healthcare service platform technology to empower pharmaceutical companies and build the digitized operation of the whole industry chain of the healthcare industry based on Echartnow's digitized ecosystem. The business model of Echartnow gradually takes shape in three stages:

- First stage: Echartnow aims to assist pharmaceutical companies in achieving the initial phase of digital transformation by integrating offline and online platforms through the provision of scenario-based digitized operation solutions. During this stage, Echartnow primarily generates revenue by providing pharmaceutical companies with digital marketing systems, market promotion services, clinical research services, and O2O digital operational services. Additionally, Echartnow charges pharmaceutical companies information service fees, technical service fees, and promotion service fees.
- Second stage: Building upon the foundation of the first stage, Echartnow expands further by introducing the "Cistanche Digitized Operation and Management Platform" ("**Cistanche Open Platform**"). This platform has been verified by Echartnow and has proven to be highly effective. Through the platform, Echartnow provides pharmaceutical companies with comprehensive digital transformation services across the whole industry chain. It connects various stakeholders within the pharmaceutical industry, enabling seamless information flow and offering pharmaceutical companies end-to-end traceability and visualized decision support and information assets. Additionally, Echartnow gradually establishes industry standards to solidify its core competitive advantages. In addition to the revenue generated in the first stage, other significant sources of income include providing SaaS products to pharmaceutical companies and their agents/service providers, as well as revenue from the Cistanche Open Platform.
- Third stage: Building upon the foundations of the first and second stages, Echartnow focuses on continuous technological investments to enhance the efficiency of all stakeholders within the industry. By leveraging AI capabilities, Echartnow aims to increase the productivity of each role, thereby facilitating the rapid development of the entire healthcare industry. The Echartnow ecosystem is poised to become a fundamental cornerstone for industry advancement. In addition to the revenue generated in the first and second stages, the primary source of income in the third stage includes providing empowering services to the

whole pharmaceutical industry chain and charging corresponding empowering service fees based on efficiency enhancements.

In 2023, as Echartnow continues to deepen the development of an industry-wide healthcare service ecosystem that effectively connects pharmaceutical companies, doctors, specialized pharmacies, and patients, its core TOB business expansion shows significant progress. This marks the transition of Echartnow from the first-stage business model to the second-stage business model. It is worth noting that in the fourth quarter of 2023, Echartnow served over 30 merchants with its Cistanche Open Platform, with the transaction volume of Cistanche Open Platform merchants exceeding RMB100 million. Echartnow generated over RMB1.2 million in revenue from information service fees through the Cistanche Open Platform. The influence of Echartnow in the digitized healthcare industry continues to expand, providing a solid foundation for achieving its goals of advancing the informatization, digitization, and intellectualization of the healthcare industry.

As of 31 December 2023, Echartnow has signed cooperation agreements with multiple large-scale pharmaceutical companies in the PRC, including Qilu Pharmaceutical, Jiangsu Hengrui Pharmaceuticals, CSPC Pharmaceutical Group, and Anhui Pharmaceutical, among other renowned companies. The number of contracted pharmaceutical companies continues to grow and has reached 245, a 53% increase compared to the end of 2022. Meanwhile, the Echartnow platform has successfully covered 40,070 doctors, representing a significant 55% growth compared to the end of 2022. All doctors have completed real-name registration, uploaded qualification documents, and successfully passed the authentication process.

Major operational data of the Echartnow platform:

	As of 31 December 2023	As of 31 December 2022
Total number of contracted pharmaceutical companies	**245**	160
Total number of registered doctors	**40,070**	25,819
Total number of online pharmacies	**3,445**	3,402
Number of registered patients (in thousands)	**482**	473
Number of drug types (in thousands of SKUs)	**198**	192

For the year ended 31 December 2023, the revenue of Echartnow was HK$943,936,000 (2022: HK$606,218,000), representing a significant increase of 56% as compared to the prior year; gross profit was HK$384,218,000 (2022: HK$335,657,000), representing an increase of 14% as compared to the prior year.

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

1. ***Digitized management system***

Through the digitized management system of Echartnow, pharmaceutical companies can further establish an integrated operation-wide data management system that covers post-marketing research, business management, operation management, sales management, customer management, supplier management and so on. The digitized data management system provides digital transformation solutions with in-depth penetration and wide coverage, offering companies an ecological tool base, realizing data asset deposition and transformation, and empowering the data-driven and intelligent digitized operation base.

2. ***Marketing service***

Through Echartnow, pharmaceutical companies and large-scale drug distributors can efficiently implement digitized operations online, fostering the adoption and iteration of digitized concepts among groups of doctors with high potential, quality, and skill levels. This approach can contribute to the long-term development of their businesses. Companies can also utilize Echartnow's medical conference system for various types of meetings, such as large-scale academic conferences, online departmental meetings, MDT meetings, expert lectures, AB expert meetings, international academic seminars, new drug launches, and annual academic conferences. A comprehensive range of services is also provided, covering information collection, poster production, live broadcast creation, offline services, push streaming services, video editing, video playback and more.

In addition, the Echartnow platform also provides full media operation services for pharmaceutical companies, building doctors' IP brands, providing short videos and live broadcasting services for medical science popularisation, as well as the production and distribution of professional articles and videos.

3. ***Clinical research service***

Echartnow offers pharmaceutical companies online support for conducting medical research on drug clinical effectiveness and other areas. Echartnow enables pharmaceutical companies to begin online medical research on topics such as the clinical effects of drugs, filling the gaps in research information relating to new functions of the drugs and assisting doctors in making strides in scientific knowledge. Echartnow also provides pharmaceutical companies full life-cycle support for new products after launch, including real-world studies, patient recruitment for drug clinical trials, and pharmacoeconomic evaluations.

4. ***Cistanche Open Platform service***

Echartnow has been actively expanding its business and strategically positioning itself based on its existing healthcare service ecosystem. Since the second half of 2022, it has extended its services to provide specialized SaaS products to pharmaceutical companies and their agents/service providers. In June 2023, the self-developed "Cistanche Open Platform" was launched and put into operation on a limited scale. Through the "Cistanche Open

Platform," which Echartnow has built for agents/service providers in the pharmaceutical industry chain, online pathways for different agents/service providers are effectively connected, while ensuring data segregation and role-based access control. On the one hand, Echartnow enables real-time monitoring of project execution and settlement for agents/service providers. On the other hand, the agent/service provider system of pharmaceutical companies benefits from the standardized and systematized project execution pathway offered by the "Cistanche Open Platform," enabling the achievement of standardized project goals and enhancing the quality and efficiency of project implementation.

Echartnow is committed to providing the digitized operation solutions above to assist pharmaceutical companies in realizing the initial stage of digitized transformation through online and offline synergistic development. On the one hand, it helps pharmaceutical companies achieve efficient online marketing transformation and operational growth. On the other hand, it can enhance the accessibility of the pharmaceutical endpoints to improve the timely accessibility to patients and the quality of patients' lives.

Prospects

The "Cistanche Open Platform" has gradually transformed into a mature and comprehensive product system, successfully entering the market. Its core value lies in establishing industry standards encompassing content, pricing, data, and process, creating a standardized framework. This signifies a significant milestone for Echartnow and its transition to the second stage of development, deepening its competitive advantage and business barriers in the field of healthcare digitization. The platform empowers the entire healthcare industry with digital capabilities, driving its digital transformation and fostering synergistic and sustainable development among industry participants.

Drawing on the "Several Provisions of Shanghai Pudong New Area on Promoting Standardized and Innovative Development in Residential District Governance," which encourages collaborative efforts among companies in Pudong New Area to establish standard innovation alliances and jointly develop corporate standards, as well as highlighting the significance of the biopharmaceutical industry, Echartnow, under the guidance of the Shanghai Municipal Administration for Market Regulation and Pudong New Area Administration for Market Regulation, has formed a partnership with 17 founding members, including prominent domestic pharmaceutical companies, Xi'an Jiaotong-Liverpool University Entrepreneur College, and RSM China. On 25 January 2024, they officially established the "Shanghai Biopharmaceutical Digital Operation Standard Innovation Consortium" (the "**Consortium**") in Shanghai's Pudong New Area. The primary objective of the Consortium is to drive standardized innovation and practical implementation in the digital operation of the biopharmaceutical industry. By constructing a platform that supports standardized practices, the Consortium aims to facilitate the digital transformation of the biopharmaceutical sector, thereby expediting the commercialization process of innovative drugs.

Looking ahead, Echartnow will continuously advance the expansion of its existing business and accelerate the utilization of artificial intelligence technology to enhance the value and quality of customer production. Simultaneously, Echartnow will persistently strengthen its core barriers and undertake the following crucial initiatives:

- Establishing a certification pathway and standards for doctor review to ensure the reliability and professionalism of their qualifications.
- Constructing a comprehensive service evaluation system that encompasses assessments between doctors and operators, doctors and patients, and doctors with each other, guaranteeing high-quality medical services and customer satisfaction.
- Building a standard system for digitized operation services, including aspects such as pricing, content standards (digital assets), and compliance processes, to provide standardized and efficient operational services.
- Collaborating with universities to establish the "Echartnow Research Institute" and leading the application for the establishment of a nonprofit organization called "Building a Healthcare Village in China", aiming to promote the development of medical research and social welfare initiatives.

Through sustainable positioning and development, Echartnow will empower itself to deliver superior services, rapidly enhance customer productivity, and maintain a competitive advantage in the healthcare industry, thereby laying a vital cornerstone for future success.

(2) "Meerkat Health", a Smart Healthcare Services Platform

In the second half of 2023, the country emphasized the principle of pursuing progress while maintaining stability and coordinating development and security. Special attention was given to ensuring stable economic growth, employment, and prices. As market demand gradually recovered and production supply continued to increase, overall stability was observed in employment and prices, leading to steady growth in residents' income. The economy showed signs of recovery and improvement. According to data from the National Bureau of Statistics of China, in 2023, the average per capita healthcare expenditure of the country's residents reached RMB 2,460, representing a growth of 16.0% and accounting for 9.2% of per capita consumption expenditure. The Group keeps pace with the changing times and actively responds to market demands by strategically expanding into new business sectors. As the epidemic receded and the living standards of citizens improved, citizens' health awareness has increased, creating unprecedented opportunities in the healthcare consumer market. The "active health" trend is driving growth in various healthcare consumer scenarios and product categories, including medical devices, pharmaceuticals, traditional nourishing supplements, nutritional healthcare products, and healthcare services.

Business Review

According to the national economic development situation and future trends, and aligned with the Group's long-term development strategy, Meerkat Health has adjusted its business and internal organizational structure since 2023. In order to reduce expenses, Meerkat Health has divested from its vaccination and body check businesses, which have higher costs and uncertain prospects. This move aims to streamline operations, enhance enterprise value, and improve overall efficiency. In early 2024, Meerkat Health further scaled down its business operations by discontinuing its private e-commerce activities and implementing a comprehensive reduction in the workforce associated with that sector, resulting in significant cost savings. Following the optimization of these business adjustments, Meerkat Health will concentrate on developing its healthcare consumption business, aiming to achieve improved operational efficiency and overall corporate growth.

The healthcare consumption business serves as the underlying core business and primary revenue source for Meerkat Health. Established in 2021, the pharmaceutical wholesale and retail operations have undergone over two years of development. Leveraging digital capabilities, Meerkat Health has built an industry-leading smart supply chain system, facilitating swift, secure, and efficient delivery of medical and healthcare products and services to downstream users in the outpatient market, including pharmaceutical companies, drug distributors, pharmacies, and grassroots medical institutions. Meerkat Health's mission is to ensure affordable access to a wide range of high-quality and comprehensive medications, promoting "good medicine for all" and driving overall efficiency improvement in the healthcare ecosystem. Meerkat Health has achieved nearly omnichannel coverage of almost 10,000 categories of drugs, medical equipment, dietary supplements, nourishing products, and other health-related products. Sales channels have been established in regions such as East China and South China, with downstream customers distributed across provinces such as Anhui, Jiangsu, Zhejiang, Guangdong, and Hubei. Through online marketplaces like YSB, 1 Drug Mall, and YBM100, Meerkat Health has provided sales services to over 100,000 end customers, establishing a solid foundation for its long-term development.

As of 31 December 2023, Meerkat Health's revenue amounted to HK$399,413,000 (2022: HK$824,209,000), reflecting a 52% decline from the previous year. This decrease can be attributed primarily to the adjustments made in the healthcare consumption business and a decrease in the proportion of lower-margin operations. Meerkat Health has strategically focused its resources on expanding high-margin and high-potential operations, resulting in a significant increase in gross profit margin from 2.0% in 2022 to 7.1%. Gross profit has also seen a substantial rise of 75% to HK$28,529,000 (2022: HK$16,282,000).

Prospects

The Central Economic Work Conference in 2023 proposed the goal of better coordinating consumption and investment to stimulate potential consumption and expand beneficial investment, thereby creating a virtuous cycle of mutual promotion between the two. The conference emphasized the importance of developing new forms of consumption, such as digital consumption, green consumption, and healthcare consumption. It also highlighted the need to actively cultivate new areas of consumption growth, such as smart homes, cultural and entertainment tourism, sports events, and domestically produced trendy products. These initiatives are expected to drive investment in related industries and consumer scenarios. Therefore, Meerkat Health's active involvement in the healthcare consumption business aligns with the current trends in national economic development.

The business restructuring of Meerkat Health was completed in early 2024. As a result, Meerkat Health will be able to operate more efficiently, leading to anticipated reductions in future costs and expenses. This will enhance Meerkat Health's cost-effectiveness and generate increased business revenue and value.

(3) Entertainment and Media

During 2023, the Group made no new investments in film and television drama projects. Instead, the company concentrated its efforts on maximizing the potential of existing film and television drama projects and investments.

During the year, the associate HB Entertainment (primarily involved in production and investment in film and television drama projects and provision of artist management and agency services in South Korea), in which the Group held a 30.77% equity stake, produced and released two television dramas, "Battle for Happiness" and "My Man Is Cupid".

"Battle for Happiness" premiered on 31 May 2023 on the Korean ENA TV channel. It was directed by Kim Yoon-cheol, renowned for "My Lovely Sam Soon", and written by the novelist Joo Young-ha. The cast included well-known actors such as Lee El from "My Liberation Notes", Jin Seo-yeon from "One the Woman," Cha Ye-ryun from "Gold Mask", Park Hyo-joo from "The Good Detective 2," and Woo Jung-won from "Under the Queen's Umbrella". According to Nielsen data, the nationwide average viewership rating was 1.77%, with the highest nationwide viewership reaching 2.770%. "My Man Is Cupid" premiered exclusively on Amazon Prime Video on 1 December 2023. It was directed by Nam Tae-jin, known for "Switch", and written by Heo Seong-hee, known for "One More Happy Ending". The drama starred Jang Dong-yoon and Nana, and it received favorable viewership ratings and reviews.

During the year, the "Entertainment and Media" business generated revenues of HK$682,000 (2022: HK$150,964,000), with a segment profit of HK$3,550,000 (2022: segment loss of HK$122,882,000). The Group is now primarily focused on expanding its internet pharmaceutical and healthcare services business and has temporarily halted new investments in film and television drama projects. Instead, the Group is concentrating its efforts on revitalizing existing film and television drama projects and investments.

Discontinued Operation — Healthcare and Wellness Services "Bayhood No. 9 Club"

"Bayhood No. 9 Club" is one of the top green health clubs in the PRC with well-equipped facilities such as a standard 18-hole golf course, lakeside golf course private VIP rooms, spa facilities as well as Asia's first PGA-branded golf academy, etc. "Bayhood No. 9 Club" offers professional and excellent healthcare and wellness services to middle- and high-end enterprises and individual clients.

The Group operated "Bayhood No. 9 Club" on a lease basis. In April 2023, the Group gave the lessor an advance notice to terminate the lease agreement relating to "Bayhood No. 9 Club" early upon the expiry of the second lease term (i.e. 5 October

2023). As a result, upon the early termination of the relevant lease agreement on 5 October 2023, the Group ceased to be engaged in the operation of "Bayhood No. 9 Club" thereafter.

During the year, the loss from the discontinued operation mentioned above amounted to HK$5,787,000 (2022: profit of HK$1,103,000).

ENVIRONMENTAL & SOCIAL RESPONSIBILITIES

(a) Environmental responsibilities

Committed to building an "eco-friendly" enterprise, the Group strictly abides by applicable environmental laws and regulations in jurisdictions where its operations are located. The Group has implemented various environmental management actions, so as to ensure that exhaust gas, sewage and office waste are properly recycled and processed, with a view to minimising the environmental impact of our business operations. The Group embeds the concept of green environmental protection into its activities, actively promotes environmental awareness, advocates the conservation and recycling of energy and other resources, to improve the efficiency of the resource utilization, with the aim of minimising the natural resources wasted while reducing operating costs. We strictly abide by relevant laws and regulations on environmental protection where we do business and have formulated corresponding environmental management systems, actively deliver environmental protection messages, enhance environmental awareness among employees, customers as well as other stakeholders, thus fulfilling our shared commitment to protecting the natural environment.

(b) Social responsibilities

The Group adheres to a "people-centric" talent strategy, attaches importance to the recruitment and cultivation of talents, and is committed to building core competitiveness with excellent staff teams. The Group complied with the laws and regulations relating to human resources management where its operations are located, and have established human resources management systems. Safety drills are conducted on a regular basis to enhance safety awareness among employees and their ability to cope with dangers; regular trainings are provided to employees and clear promotion channels are put in place to help them realise individual potential and achieve long-term career development; various employee activities are organised to enhance their physical and mental health. We also create a safe and comfortable office environment, attach importance to employees' occupational health and safety, offer generous salary and holiday benefits, as well as safeguard the legitimate rights and interests of our employees, thus achieving growth along with employee development.

Striving to ensure product and service quality from the source, the Group has put in place strict standards for supplier selection to ensure that the business qualifications, management capabilities, service and product quality, as well as quotations of suppliers are in line with its requirements on products and services. Through on-site investigation, the Group conducts a comprehensive assessment to ensure the stability in its supplier performance, which covers aspects like production and supply capabilities, as well as credentials, etc. To ensure a sustainable supply chain, the Group also regularly evaluates the compliance of suppliers, as well as the fulfilment of their environmental and social responsibilities, and timely terminates cooperation with suppliers that underperform in service standards and secures additional suppliers of excellent performance.

The Group safeguards the legitimate rights and interests of the shareholders, customers as well as other stakeholders. In addition to strictly complying with laws and regulations against corruption, bribery, fraud and money laundering in jurisdictions where its operations are located, the Group also strengthens management on corporate internal control to prevent corruptions.

Having acknowledged its corporate social responsibilities, the Group continues to care for vulnerable groups. In forms such as donations and provision of employment opportunities, the Group fully leverages on its strengths in resource reserve to support the development of local communities and give back to the society.

As a responsible corporate citizen, the Group keeps close communication with all of its stakeholders, so as to maintain collaborative relations based on mutual benefit and trust, to stay updated on demands and expectations of relevant stakeholders, and to keep improving its mechanism for stakeholder engagement, aiming to deliver synergistic growths in social and economic benefits. As a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group strictly complies with the disclosure requirements of the Stock Exchange. As one of the platforms that we use to communicate with the stakeholders, the ESG report for the year are set out on pages 21 to 28 of this Annual Report, will deliver a comprehensive view on what the Group has accomplished in the establishment of ESG systems, as well as its performance during 2023.

FINANCIAL REVIEW

The Group is organised into the following main operating segments:

1. Digitized operation services in healthcare industry (formerly known as "Online prescription, circulation and marketing of pharmaceutical products") ("Echartnow")
2. Smart healthcare services platform ("Meerkat Health")
3. Entertainment and Media

Following the termination of the Club Lease Agreement as detailed in Note 32 to the consolidated financial statements of the Group, the operation of "Healthcare and wellness services" is discontinued, and was accounted for as discontinued operations.

The key financial figures of the Group for the year ended 31 December 2023 are summarized as follows:

	2023 HK$'000	2022 HK$'000 (Restated) (Note 32)	Change %
Continuing Operations			
Revenue:			
– Digitized operation services in healthcare industry	**943,936**	606,218	+56%
– Smart healthcare services platform	**399,413**	824,209	–52%
– Entertainment and media	**682**	150,964	–99.5%
	1,344,031	1,581,391	–15%
Gross profit:			
– Digitized operation services in healthcare industry	**384,218**	335,657	+14%
– Smart healthcare services platform	**28,529**	16,282	+75%
– Entertainment and media	**682**	1,107	–38%
	413,429	353,046	+17%
Segment result:			
– Digitized operation services in healthcare industry	**(29,546)**	(57,809)	–49%
– Smart healthcare services platform	**(45,355)**	(86,337)	–47%
– Entertainment and media	**3,550**	(122,882)	N/A
	(71,351)	(267,028)	–73%
Loss for the year from continuing operations	**(119,567)**	(317,701)	–62%
Loss for the year from continuing operations attributable to equity owners of the Company	**(91,300)**	(271,083)	–66%
Non-HKFRS Adjustments:			
Adjusted loss for the year from continuing operations	**(106,466)**	(296,722)	–64%
Discontinued Operation			
(Loss)/profit for the year from discontinued operation	**(5,787)**	1,103	N/A

– **Revenue**

Revenue for the year ended 31 December 2023 amounted to approximately HK$1,344,031,000 (2022: HK$1,581,391,000), being a 15% decrease comparing to the prior year. This is the result of change in revenue mix among different segments during the year as further explained below.

The major source of the Group's revenue is that from "Digitized Operation Services in Healthcare Industry" (i.e. the Echartnow operation), accounting for 70% (2022: 38%) of the Group's revenue for the year, which boosted significantly by 56% to approximately HK$943,936,000 (2022: HK$606,218,000). The digitized operation services offered to pharmaceutical companies by Echartnow, including digitized management system, online marketing and promotion services, clinical research services and the Cistanche SaaS platform, is now a proven success model with growth sustainability. The number of pharmaceutical companies that have signed contracts with the Echartnow has sharply increased by 53% to 245 (2022: 160), with a number of large pharmaceutical companies in the PRC including Qilu Pharmaceutical, Jiangsu Hengrui Pharmaceuticals, CSPC Pharmaceutical Group etc. Also, there was sustainable organic growth in revenue from existing customer base as the digitized operation services offered by Echartnow is proven to be effective and efficient over time.

Revenue from the "Smart Healthcare Services Platform" segment (i.e., Meerkat Health operation) decreased by 52% to approximately HK$399,413,000 (2022: HK$824,209,000), which accounted for approximately 30% (2022: 52%) of the Group's revenue, during the year. In order to raise gross profit margin and reduce operating losses, management of Meerkat Health has intentionally cut down the medical service operations and those healthcare consumption revenue streams with low gross profit margin and focused on exploring new products/services with higher gross profit. As a result, Meerkat Health's revenue from healthcare consumption has been significantly reduced, while Meerkat Health enjoyed a much higher gross profit margin in terms of both absolute amount and margin percentage.

Revenue from the "Entertainment and Media" segment decreased significantly by 99.5% to approximately HK$682,000 (2022: HK$150,964,000). The Group is now focusing on the development of Echartnow and Meerkat Health businesses, and currently has no plan to invest in new entertainment and media projects or operations. The revenue from the "Entertainment and Media" segment during the year was minimal additional revenues generated from those previously completed projects. On the other hand, revenue for the prior year was mainly attributed to the global theatrical release and distribution of "Moonfall", a tentpole movie invested by the Group.

— Cost of Sales and Gross Profit

Cost of sales for the year ended 31 December 2023 amounted to approximately HK$930,602,000 (2022: HK$1,228,345,000), being a 24% decrease comparing to the prior year. Gross profit for the year ended 31 December 2023 amounted to approximately HK$413,429,000 (2022: HK$353,046,000), being a 17% increase comparing to the prior year, with gross profit margin increased to 31% (2022: 22%). The net year-to-year change of gross profit and gross profit margin is due to the following:

(1) As explained above, revenue of Echartnow operation increased by 56% during the year, leading to a corresponding growth in gross profit to approximately HK$384,218,000 (2022: HK$335,657,000).

(2) There was a much-improved gross profit margin of 7.1% (2022: 2.0%) from the Meerkat Health operation as explained above.

— Other Income and Other Gains/(Losses), net

Other income and other gains/(losses), net, decreased from a net loss of approximately HK$8,753,000 for the year ended 31 December 2022 to a net loss of approximately HK$7,439,000 for the year ended 31 December 2023. The decrease in net loss was mainly attributed to the decrease in exchange loss arising from revaluation of RMB/KRW to HKD from approximately HK$8,639,000 for the year ended 31 December 2022 to approximately HK$1,508,000 for the year ended 31 December 2023.

— Marketing and Selling Expenses

Marketing and selling expenses for the year ended 31 December 2023 amounted to approximately HK$419,683,000 (2022: HK$499,453,000), being a 16% decrease comparing to the prior year. The decrease in marketing and selling expenses during the year was mainly attributed to net result of the following mixed effect:

(i) Staff costs and marketing expenses were incurred for the promotion of the Echartnow platform and other relevant expenses were also incurred for enhancing the registration of doctors and pharmacies in the Echartnow platform. Benefited from the growth of revenue and gross profit as previously discussed, Echartnow has further increased the investment in such marketing and selling expenses to approximately HK$352,249,000 (2022: HK$320,657,000) during the year. This has resulted in the 55% growth in the number of registered doctors on Echartnow platform to 40,070 (2022: 25,819) as of 31 December 2023;

(ii) As explained above, there was a business scale-down in Meerkat Health operation so as to raise gross profit margin and reduce operating losses. Accordingly, the market promotion expense, especially incurred for the medical services business, has been significantly reduced. In addition, the warehouse and logistic expense incurred for the health consumption business also reduced in line with the drop in the relevant revenue; and

(iii) the Group's share of marketing expenses, promotion & advertising expenses, and distribution fees, mainly for the theatrical release of Hollywood tentpole movie "Moonfall", during the year ended 31 December 2022 was approximately HK$107,816,000. No such expense has been incurred during the year ended 31 December 2023.

— Research and Development Expenses

Research and development expenses for the year ended 31 December 2023 amounted to approximately HK$29,491,000 (2022: HK$35,751,000). The amount mainly comprised staff costs and employee benefit expenses in relation to research and development function. While the investment in research and development function of Echartnow was still expanding by 29%, the research and development expense incurred for Meerkat Health operation has been reduced by 43% due to the scale-down of medical service business, leading to a 18% decrease in research and development expenses during the year ended 31 December 2023.

— Administrative Expenses

Administrative expenses for the year ended 31 December 2023 amounted to approximately HK$75,860,000 (2022: HK$109,513,000), being a 31% decrease comparing to the prior year. The decrease in administrative expenses during the year was mainly attributed to the following:

(1) Share-based compensation expenses incurred for the acquisition of Echartnow operation and establishment of Meerkat Health operation decreased significantly by 84% to approximately HK$2,845,000 (2022: $17,541,000) during the year; and

(2) Meerkat Health has implemented cost-saving initiatives during the year, aiming at tightening general operating expenses and thus reducing overall operating losses. Administrative expenses of Meerkat Health operation has been reduced by 43% to approximately HK$17,910,000 (2022: HK$31,570,000).

— Finance Costs, net

Finance costs, net for the year ended 31 December 2023 amounted to approximately HK$3,605,000 (2022: HK$1,497,000). The increase net finance costs during the year mainly attributed to i) increase in interest for bank and other borrowings, which was in line with the increase in the outstanding amount of other borrowings; and ii) the incurrence of notional interest on long-term financial liabilities of approximately HK$1,318,000 during the year following the receipt of capital injection (which may need to be repaid with interest under certain circumstances) from a new shareholder of the Echartnow operation.

— Share of Results of an Associate

Share of results of an associate, representing the share of results of HB Entertainment (the Group's 31%-owned associated company which is principally engaged in production of and investment in movies and TV drama series, provision of artist management and agency services in South Korea), amounted to a loss of approximately HK$1,556,000 (2022: a loss of approximately HK$4,817,000). Financial performance of HB Entertainment has been improved in 2023 as there were two new TV drama, namely "Battle of Happiness" and "My Man is Cupid", produced and broadcasted during the year.

— Non-Hong Kong Financial Reporting Standard indicator in relation to loss for the year from continuing operations

The Group's loss from continuing operations for the year ended 31 December 2023 amounted to HK$119,567,000 compared that of HK$317,701,000 for the preceding financial year. The Group's adjusted loss from continuing operations for the year ended 31 December 2023 amounted to HK$106,466,000, representing an decrease in loss of HK$190,256,000 or 64% as compared with that of HK$296,722,000 for the preceding financial year. Adjusted loss from continuing operations is based on the loss from continuing operations for the corresponding year after excluding non-operating profit or loss items such as share-based compensation expenses, change in fair value of financial assets/interest in an associate at fair value through profit or loss, loss on modification of financial assets and notional interest on long-term financial liabilities. The decrease in adjusted loss from continuing operations was mainly attributable to:

(1) Increase in revenue and gross profit, especially from the Echartnow operation;

(2) Reduction of administrative expenses (excluding share-based compensation expenses) and marketing and selling expenses resulting from the cost-saving initiative and business scale-down of Meerkat Health operation; and

(3) Segment result of "Entertainment and Media" operation turned around from a segment loss of approximately HK$122,882,000 for the year ended 31 December 2022 to a segment profit of approximately HK$3,550,000 for the year ended 31 December 2023, as the Group has not engaged in any new entertainment and media project/operation during the year.

To supplement the Group's consolidated financial statements presented in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), the Group has also reported its adjusted net loss from continuing operations attributable to equity holders of the Company, which is not required under, or presented in accordance with, HKFRSs, as an additional financial indicator. We are of the view that presenting the non-HKFRS indicator together with the relevant HKFRS indicator will help investors to better compare our operational performance across various periods, without the potential impact of projects which our management considers as not indicative to our operational performance. We believe that the non-HKFRS indicator provides investors and other individuals with helpful information to understand and assess our consolidated operational results in the same way that our management does. However, the adjusted net loss attributable to equity holders of the Company we presented may not be comparable with similar indicators presented by other companies. Such non-HKFRS indicator has its limitations as an analytical tool, and it should not be regarded as being independent from the operational results or financial position presented according to HKFRSs, or as an alternative to analyze the relevant operational results or financial position. In addition, the definition of such non-HKFRS indicator may vary from those applied in other companies.

The adjusted loss from continuing operations for the years ended 31 December 2023 and 2022 set out in the table below represents adjustments to the most direct and comparable financial indicator calculated and presented in accordance with HKFRSs (i.e. loss for the year from continuing operations):

	2023 **HK$'000**	2022 HK$'000
		(Restated) (Note 32)
Loss for the year from continuing operations	**(119,567)**	(317,701)
Add:		
– Shared-based compensation expenses	**2,845**	17,541
– Fair value loss/(gain) on financial assets at fair value through profit or loss, net of tax	**2,205**	(1,129)
– Fair value loss on interest in an associate measured at fair value through profit or loss	**2,646**	4,567
– Loss on modification of financial assets	**4,087**	—
– Notional interest on long-term financial liabilities	**1,318**	—
Adjusted loss for the year from continuing operations	**(106,466)**	(296,722)

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Treasury Management

We have adopted prudent treasury management measures aimed at principal protection and maintaining sufficient liquidity to meet our various funding requirements in accordance with the strategic plans and policies. As at 31 December 2023, the Group held cash and cash equivalents of approximately HK$27,037,000 (2022: HK$38,300,000), being a 29% decrease comparing to the balance as at 31 December 2022.

The Group is at net current liability position of HK$74,156,000 as at 31 December 2023 (2022: net current asset position of HK$16,637,000). The current ratio, representing the total current assets to the total current liabilities, decreased from 1.07 as at 31 December 2022 to 0.72 as at 31 December 2023.

The gearing ratio, representing the net debt (total borrowings and lease liabilities less cash and cash equivalents) to total equity, is 27.21% as at 31 December 2023 (2022: 5.45%). The Group's total bank and other borrowings as at 31 December 2023 amounted to approximately HK$72,231,000 (2022: HK$32,740,000), HK$1,000,000 of which was denominated in Hong Kong dollars and the remaining was denominated in Chinese Renminbi.

In March 2024, the Company has completed the issuance of 10% convertible bonds due 2026 of an aggregate principal amount of HK$120,000,000. Should the proceed from the issuance of the convertible bonds be received as of 31 December 2022, the pro forma net current asset and current ratio of the Group would be approximately HK$45,844,000 and 1.17 respectively.

Foreign Currency Exchange Exposure

The Group has operations and investments in the PRC, Korea and Hong Kong, and is mainly exposed to foreign exchange risk arising from Chinese Renminbi and Korean Won currency exposures, primarily with respect to the Hong Kong dollars. During the year, fluctuation in Chinese Renminbi and Korean Won against Hong Kong dollars resulted in the net exchange loss of approximately HK$1,508,000 (2022: HK$8,639,000). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure from Chinese Renminbi and Korean Won but manages through constant monitoring to limit as much as possible its net exposures.

Capital Structure

The Group has mainly relied on its equity, bank and other borrowings and internally generated cash flow to finance its operations.

During the year ended 31 December 2023, the Company has not issued any new ordinary shares. During the year ended 31 December 2022, the Company has issued 62,500,000 and 24,732,032 new ordinary shares of HK$0.02 each for vesting of share awards and settlement of share considerations for acquisition of subsidiaries, respectively.

Total bank and other borrowings as at 31 December 2023 amounted to approximately HK$72,231,000 (2022: HK$32,740,000). Further details of the bank and other borrowings are set out in Note 25 to the consolidated financial statements.

CHARGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2023 and 2022, none of the Group's assets was charged and the Group did not have any material contingent liabilities or guarantees.

HUMAN RESOURCES

As at 31 December 2023 the Group employed a total of 233 (2022: 306) full-time employees in Hong Kong and the PRC. In addition, the Group has entered into several joint operation arrangements to produce or distribute films. The crew members employed under such joint operation arrangements have not been included in the above statistics.

The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel are remunerated by monthly salary which is reviewed by the Group from time to time and adjusted based on performance. In addition to salaries, the Group provides staff benefits including medical insurance, contribution to staff provident fund and discretionary training subsidies. Share awards, share options and bonuses are also available at the discretion of the Group depending on the performance of the Group.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no significant investments, material acquisitors and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023. For details of the further supplemental agreement to the Capital Increase and Acquisition Agreement regarding the YZN Group entered into during the year, please refer to note 31 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") is committed to achieving high standards of corporate governance and adherence to the governance principles and practices. The Board or its delegated Board Committees has regularly reviewed and monitored its implementation and effectiveness. Throughout the year ended 31 December 2023, the Company has applied the principles and complied with the code provisions in Part 2 of the Corporate Governance Code (the "CG Code") set out in Appendix C1 to the Listing Rules on the Stock Exchange with the exception of the following deviation:

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. Following the resignation of the Chairman, no replacement for the post of the Chairman has been appointed. The functions of the Chairman have been temporarily taken up by the chief executive officer of the Company (the "CEO").

The Board considers that it is appropriate and in the interests of the Company and its shareholders as a whole for the same individual to serve as the CEO and to temporarily take up the day-to-day management responsibilities as the Chairman during the transitional period, and it has not impaired the balance of power and authority between the Board and the management of the Company.

The Company is searching for a suitably qualified candidate to fill the vacancy of the Chairman as soon as practicable.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises six directors ("Directors") whose biographical details, as well as the relationship amongst them (if any), are set out on page 29 of this Annual Report.

The Board is responsible for establishing the Group's corporate policy and strategic direction; setting business objectives and development plans; monitoring financial performance, internal controls and the performance of the senior management; and ensuring that the Company complies with all applicable laws and regulations. The Board delegates day-to-day operations of the Group to the management, which is responsible for implementing these strategies and plans.

During the year, a total of five Board meetings were held.

Directors play an active role in participating in the Company's meetings. The composition of the Board as at the date of this report and their attendance at the Company's meetings during the year 2023 are as follows:

		Meetings		Committee Meetings			
Directors	**Director Categories**	**Board**	**General**	**Audit**	**Remuneration**	**Corporate Governance**	**Nomination**
Mr. CHENG Wu	Vice Chairman and Executive Director	5/5	1/1	–	–	–	–
Mr. YUEN Hoi Po	Executive Director and Chief Executive Officer	5/5	1/1	–	member 2/2	chairman 2/2	–
Mr. YUEN Kin	Independent Non-executive Director	5/5	1/1	chairman 2/2	chairman[3] 2/2	member 2/2	–
Mr. CHU Yuguo	Independent Non-executive Director	5/5	1/1	member 2/2	–	member 2/2	chairman 1/1
Ms. WANG Song Song[1]	Independent Non-executive Director	2/5	0/1	–	member 0/2	–	member 0/1
Ms. PAN Min[1]	Independent Non-executive Director	2/5	0/1	member 1/2	–	–	member 0/1
Dr. WONG Yau Kar, David[2]	Independent Non-executive Director	3/5	1/1	member 1/2	chairman 1/2	–	member 1/1
Total number of meetings held		5	1	2	2	2	1

1. Ms. WANG Song Song ("Ms. WANG") and Ms. PAN Min ("Ms. PAN") were appointed as Independent Non-executive Directors of the Company ("INED") after obtaining approval at the annual general meeting held on 20 June 2023 ("2023 AGM"). Both Ms. WANG and Ms. PAN fulfilled the requirements of Listing Rule 3.09D by obtaining legal advice from a qualified Hong Kong law firm regarding their duties and responsibilities as directors of a listed company under the Listing Rules and the possible consequences of making a false declaration or giving false information to the Stock Exchange. Ms. PAN and Ms. WANG received advice on 20 May 2023 and 23 May 2023 respectively. Both directors have confirmed their understanding of their obligations as directors of a listed company. The biographical details of Ms. WANG and Ms. PAN were disclosed on page 29.
2. Resigned on 20 June 2023.
3. Mr. YUEN Kin was re-designated from a member of the Remuneration Committee to the chairman of the Remuneration Committee on 20 June 2023.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the Directors.

BOARD COMMITTEES

The Board has established Executive Committee, Corporate Governance Committee, Nomination Committee, Remuneration Committee and Audit Committee. Sufficient resources have been provided for the committees to undertake their duties. Each Board Committee has the authority to seek any complete and reliable information that it requires from the management. Where necessary, these committees should seek independent professional advice, at the Company's expenses, to perform their responsibilities.

Written terms of reference of each of the Executive Committee, Corporate Governance Committee, Nomination Committee, Remuneration Committee and Audit Committee are available on the websites of the Company, and, where applicable, the Stock Exchange.

Executive Committee

The Executive Committee currently comprises two Executive Directors, namely Mr. YUEN Hoi Po (chairman) and Mr. CHENG Wu.

The Executive Committee is mainly responsible for improving the efficiency of the Board's operation and shorten any operations-related decision making processes, as sometimes it may be practically difficult to convene a full board meeting or to arrange all the Directors to sign a written resolution in a timely manner.

No meetings were held throughout the year.

Corporate Governance Committee

The Corporate Governance Committee comprises one Executive Director, namely Mr. YUEN Hoi Po (chairman) and two Independent Non-executive Directors, namely Mr. YUEN Kin and Mr. CHU Yuguo.

The Corporate Governance Committee is mainly responsible for developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing the Company's Shareholder Communication Policy; administering the Share Award Scheme, and reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year, two meetings were held by the Corporate Governance Committee to review various aspects, such as training and development for Directors and senior management, the Company's Shareholder Communication Policy, the Code of Conduct for directors and employees, the Directors' commitment of time to Company affairs and the compliance with CG Code and the disclosure of the Corporate Governance Report. In addition, the committee grant 15,000,000 awarded shares to a selected eligible employee under the 2021 Share Award Scheme.

Nomination Committee

The Nomination Committee comprises three Independent Non-executive Directors, namely Mr. CHU Yuguo (chairman), Ms. WANG Song Song and Ms. PAN Min.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board; making recommendations on any proposed changes to the Board; reviewing Board Diversity Policy and Nomination Policy; assessing the independence of Independent Non-executive Directors, and reviewing the implementation and effectiveness of board independence mechanism by the Board, through the Nomination Committee.

During the year, one meeting was held by the Nomination Committee to review the Nomination Policy, evaluate the Board structure and its composition. Additionally, the committee recommended to the Board the members who should retire by rotation at the annual general meeting. The committee evaluated and ensured the independence of the INEDs. After evaluating the Board Diversity Policy, the Company successfully met its gender diversity goal by appointing two highly qualified female INEDs in 2023, which enhanced board diversity and expertise. Lastly, the committee conducted a comprehensive review of Independence Mechanism to guarantee the presence of independent views.

Remuneration Committee

The Remuneration Committee comprises two Independent Non-executive Directors, namely Mr. YUEN Kin (chairman) and Ms. WANG Song Song and one Executive Director, namely Mr. YUEN Hoi Po.

The Remuneration Committee is mainly responsible for making recommendation to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; and making recommendations to the Board on the remuneration of Non-executive Directors. The Remuneration Committee was delegated responsibility to determine the remuneration packages, including benefits in kind, pension rights and compensation payments, of individual Executive Directors and senior management.

During the year, two meetings were held by the Remuneration Committee to review the remuneration packages and discretionary bonuses for Directors and senior management, taking into account the current economic environment and the financial performance of the Company. The aim was to ensure that remuneration is in line with the Company's financial performance and the interests of its stakeholders. Furthermore, the committee recommended granting 15,000,000 shares under the Share Award Scheme to an eligible employee, subject to a minimum of 12-month vesting period, without any performance targets. This recommendation was made after conducting a thorough evaluation of the eligible employee's past performance and contributions. The Remuneration Committee conducted a review of various matters relating to the share schemes required under Chapter 17, including the effectiveness of the Share Award Scheme's clawback mechanism. This mechanism protects shareholder value by ensuring rewards are tied to ethical behavior and company loyalty. In short, if an eligible participant engages in misconduct, leaves the Group or becomes ineligible before receiving shares, their award automatically forfeits. Misconduct includes fraud, debt default, criminal convictions, regulatory breaches, etc.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. YUEN Kin (chairman), Mr. CHU Yuguo and Ms. PAN Min.

The Audit Committee is mainly responsible for the following:

1. Making recommendation to the Board on the appointment, reappointment, and removal of the external auditor, and to approve the terms of engagement of the external auditor;

2. Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

3. Monitoring the integrity of the Company's financial statements and annual report and accounts, interim report and reviewing significant financial reporting judgments contained in them;

4. Monitoring the Company's financial reporting system, risk management and internal control systems; assisting the Board in reviewing the effectiveness of the Company's risk management and internal control systems;

5. Reviewing and monitoring the continuing connected transactions of the Group;

6. Reviewing the whistleblowing policy and system for Directors, senior management and all employees of the Group and third parties (i.e. those who deal with the Group such as customers, agents, contractors and suppliers) to raise concerns about possible improprieties in financial reporting, internal control or other matters anonymously and to ensure proper arrangements are in place for fair and independent investigation of those matters and for appropriate follow up action; and

7. Reviewing the effectiveness of the policy and system that promote and support anti-corruption laws and regulations.

During the year, two meetings were held by the Audit Committee for the purposes of meeting the above mentioned responsibilities.

BOARD NOMINATION POLICY

The Nomination Policy of the Company sets out the process of nomination as well as the criteria for selection and recommendation of director candidates as adopted by the Nomination Committee. Conditions considered in the nomination criteria include but are not limited to the candidate's qualifications, skills, experience, independence and compliance with the Board Diversity Policy. The Board has the final decision on all matters in respect of recommending candidates to be elected or re-elected at a general meeting.

BOARD DIVERSITY POLICY

The Group adopted a Board Diversity Policy to set out the approach to achieve diversity on the Board. We acknowledge that different perspectives and experiences can make the Board more effective and improve decision-making. The Board Diversity Policy aims to establish a board that represents the diversity of our stakeholders and the communities we serve. This includes considering factors such as gender, age, cultural background, education, and professional expertise.

The Company has made significant progress towards achieving its board diversity goals in 2023 by appointing two highly qualified female directors, Ms. WANG and Ms. PAN, in June 2023. Their appointments have increased female representation on the Board to 33.33% (2 out of 6 directors), exceeding the target set in 2022. Ms. PAN, a Certified Practicing Accountant in the PRC, strengthens the Board's financial expertise, while Ms. WANG, with a bachelor's degree in Clinical Medicine from Capital Medical University, brings valuable insights to discussions on healthcare-related matters. Ms. WANG and Ms. PAN participate in all meetings of Board and the committees to which they are delegated. Their valuable contributions and diverse perspectives significantly enrich Board discussions and decision-making.

The Nomination Committee would assess gender balance of the Board on an annual basis and assist in identification and development of a pipeline of high-caliber candidates with diverse backgrounds and experiences to ensure a continuous flow of potential successors for the Board.

As at 31 December 2023, the senior management comprised three males and one female, and the male-to-female ratio in the workforce (including senior management) was 1.15:1. This ratio demonstrates our commitment to achieving gender diversity in our workforce. Please refer to the ESG Report on page 25 for details on gender diversity across the workforce by employee categories.

BOARD INDEPENDENCE

The Company acknowledges the importance of board independence in maintaining good corporate governance. In order to ensure the inclusion of independent views and contributions, the Board currently comprises a majority of INEDs, thereby constituting a strong independent element within the decision-making process of the Board. Moreover, several key committees of the Board, including the Audit Committee, Nomination Committee, and Remuneration Committee, are chaired by INEDs and have a majority of INED. INEDs are encouraged to express their views during Board and committee meetings.

As at the date of this report, the Board consists of four INEDs. Mr. YUEN Kin and Mr. CHU Yuguo have served as INEDs for over nine years, while Ms. WANG and Ms. PAN were newly appointed as INEDs at the 2023 AGM. The Company confirms that it still considers all four INEDs as independent because none of them has informed the Company of any changes in circumstances that could affect their independence. Furthermore, all INEDs have provided the Company annual confirmations that they comply with the independence requirements set out in Listing Rule 3.13. INEDs have also confirmed that they are independent from any members of the Board and senior management of the Company. This indicates that they maintain their independence in character and decision-making.

The Board, through its Nomination Committee, conducts a comprehensive annual review of the effectiveness of the mechanism for independent views and input.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have participated in continuous professional development to develop and refresh their knowledge and skills. According to the training records provided by each of the Directors, the training received by all Directors during the year including is as follows:

Directors	Training
Mr. CHENG Wu	✓
Mr. YUEN Hoi Po	✓
Mr. YUEN Kin*	✓
Mr. CHU Yuguo*	✓
Ms. WANG Song Song*	✓
Ms. PAN Min*	✓
Dr. WONG Yau Kar, David[1]	✓

* Independent Non-executive Director

1. Resigned on 20 June 2023.

NON-EXECUTIVE DIRECTORS

All Non-executive Directors (including Independent Non-executive Directors) of the Company were appointed for a specific term, which is subject to the Articles of Association of the Company or any other applicable laws that require the Directors to retire and be elected. All the Non-executive Directors are serving for a fixed term of not more than three years.

Throughout the year, the Board has at least three Independent Non-executive Directors, and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise as required under Listing Rule 3.10.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code throughout year 2023.

The Code of Conduct applies to all the relevant employees as defined in the CG Code, including any employee of the Company, or director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities.

EXTERNAL AUDITOR

The Audit Committee has received a letter from the existing auditor of the Company, PricewaterhouseCoopers, confirming their independence and objectivity. The remuneration paid to PricewaterhouseCoopers and its affiliated firms (if any) for services rendered is listed as follows:

Nature of the services	2023 HK'000	2022 HK'000
Audit services	2,100	2,100
Non-audit services		
– Interim review services	–	950
– Tax advisory services	–	–
– Other non-audit services	585	460
	2,685	3,510

There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. 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.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The following statements, which set out the responsibilities of the Directors in relation to the consolidated financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 45 to 48 which acknowledges the reporting responsibilities of the external auditor.

Annual Report and Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements which give a true and fair view of the state of the Group.

Accounting Policies

The Directors consider that in preparing the consolidated financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of consolidated financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the applicable accounting standards and other financial disclosures required by the Listing Rules.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Going Concern

The Directors, having made appropriate enquires, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

Responsibilities

The Board believes that a comprehensive set of risk management and internal control systems plays an essential role in achieving the Group's strategic goals, and has therefore acknowledged its responsibility to set up and maintain these systems, as well as review their effectiveness, while the management is responsible for designing, implementing and monitoring risk management and internal control systems, and providing a confirmation to the Board of the effectiveness of such systems. However, such internal control system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives, and is only capable of providing reasonable, not absolute assurance.

Risk Management and Internal Control Systems

Established in 2015, the Group's risk management organizational structure is a 3-tier framework, comprising of the Board and its Audit Committee, senior management, as well as management of operations. This structure aims at facilitating the risk management in each aspect of the Group's businesses and constantly improving its internal control system. The detailed structure is presented as follows:

Risk Management Structure

The roles of each level within the risk management structure are set out below:

Board and its Audit Committee
✓ Setting strategic goals
✓ Overseeing the design, implementation and monitoring of the risk management and internal control systems carried out by the management
✓ Evaluating major risks of the Group and judging their nature and degree
✓ Providing guidance on the significant areas of risk management, shaping and developing the Group's risk culture and setting the tone at the top level
✓ Reviewing the effectiveness of the risk management and internal control systems

Senior Management
✓ Performing risk assessment on the Group from an overall perspective and implementing the Board's risk management and internal control policies and procedures
✓ Designing, implementing, and monitoring the risk management and internal control systems
✓ Providing the Board with confirmation of the effectiveness of the risk management and internal control systems

Risk Management Professionals
✓ Coordinating with and assisting senior management in promoting risk management
✓ Overseeing business departments' establishment and implementation of risk response plans and measures

Management of Operations
✓ Identifying and evaluating operational risks, designing, executing and monitoring the risk management and internal control systems implemented at operations
✓ Carrying out risk management processes and internal control measures across business operations and functional areas

The Group has prepared the Risk Management Manual, which defines the Group's risk management structure, respective duties and risk management processes. In each financial year, the Group organizes the management of each business department to implement their respective risk management processes. Through systematic risk management procedures, the Group identifies the nature and degree of the risks it faces, and assesses the major risks the Group is subject to. The Group prioritizes risks based on their probability and the severity of impact on the Group's businesses, and then develops risk management measures to keep the risks at an acceptable level. To ensure incorporating the evolving risk landscape appropriately, the Board has identified and evaluated the ESG risks related to the Group in the same way as other risks and believed that ESG-related risks had no material impact on the financial position and operations of the Group.

The Group's internal control system was constructed based on the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Audit Committee reviews the effectiveness and adequacy of the system on a semi-annual basis. If any deficiency of internal control is identified, the Group will address it by communicating with the management internally and ordering rectification to be made. Any material deficiency identified in the control or procedures will be reported to the Board directly for communication and discussion.

The Group has an independent internal audit function, which reports to the Audit Committee directly and regularly. The internal audit function is responsible for reviewing the Group's risk management and internal control measures, and overseeing the management and controls of each of the Group's businesses and processes independently, through which the internal audit function assists the Board in promoting the continuous improvement of the Group's risk management and internal control systems.

In relation to the management of disclosure of inside information, the Group has put in place the Inside Information and Disclosure Policies, setting out the definition of inside information and specifying the procedures for the handling and dissemination of inside information. The Group discloses information to the public generally and non-exclusively through channels including but not limited to financial reports, announcements or official websites, with a view to achieving fair and timely disclosure of information. The Group strictly prohibits unauthorized use of confidential or inside information.

Review on the Risk Management and Internal Control Systems in 2023

The Board is responsible for reviewing the effectiveness of the risk management and internal control systems for the year. The review covers all material aspects of control, including financial, operational and compliance controls. The Board has finished reviewing the Group's risk management and internal control systems for the year ended 31 December 2023 and is satisfied with the results. The Board and the management have also reviewed the adequacy of resources, staff qualifications and experiences, training programmes for staff and relevant budgets for the Group's accounting, internal audit, financial reporting functions and those relating to the Company's ESG performance and reporting, and is satisfied with the results.

COMPANY SECRETARY

Mr. HAU Wai Man, Raymond, being an employee of the Company, has served as Company Secretary for over 15 years. He has complied with Listing Rule 3.29 throughout the year. The Company Secretary reports to the chairman of the Board and is mainly responsible for assisting the chairmen of the Board and its committees to prepare agendas for meetings and to prepare and disseminate meeting material to the Directors and committees' members in a timely and comprehensive manner; ensuring every Director complies with the Board's policy and procedures, and all applicable rules and regulations; and ensuring accurate records of Board/committee meeting proceedings, discussions and decisions are recorded. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

INVESTOR RELATIONS

The Company recognises the importance of effective communication with shareholders and stakeholders (including employees, customers, suppliers and investors). In this respect, the Company has established a range of communication channels to provide as much information as possible to its shareholders and stakeholders. The Company maintains regular and effective communication with its shareholders and stakeholders through the shareholders meetings, results press conferences, reception of potential shareholders, email communications as well as through the Company website. The Company website has designated contacts, email addresses and enquiry lines of the Company in order to enable shareholders and stakeholders to make any query in respect of the Company and it also used for publication of the Company's announcements, notices and other corporate communications to enable shareholders and other stakeholders to keep abreast of the latest development of the Group's business. A professional investor relations firm has been engaged to assist the Company in the related investor relations matters. The Board (through its Corporate Governance Committee) has reviewed the communication activities conducted during the year and was satisfied with the implementation and effectiveness of the Shareholders Communication Policy.

COMMUNICATION WITH SHAREHOLDERS

Shareholders' communication policy was established for ensuring the enhancement of communication between the Company and its shareholders.

Shareholders are encouraged to attend general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings. Any vote of the shareholders at general meetings must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Code provision F.2.2 of the CG Code stipulates that the Chairman should attend the annual general meeting. Mr. YUEN Hoi Po, who is temporarily taking up the day-to-day management responsibilities as the chairman of the Board, has attended the annual general meeting of the Company in the year 2023 (the "AGM"), together with the chairmen of the audit, remuneration, nomination and any other committees (as appropriate). In case of their absence, he would invite another member of the committee or failing this his duly appointed delegate to attend. These persons are available to answer questions at the AGM.

The chairman of the independent board committee (if any) would be available to answer questions at any general meeting that approve connected transactions or any other transactions that required independent shareholders' approval.

The external auditor engaged by the Company has attended the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

The Share Registrar of the Company would be appointed as the scrutineer at the Company's general meetings to provide the detailed procedures for conducting a poll and to count the votes. The poll results announcement will then be made in accordance with the prescribed methods.

To further increase the efficiency of communication as well as to protect the environment, arrangements have been made to ascertain the shareholders' preference as to the means of receiving the Company's corporate communications. For details of such arrangements, please contact Customer Service Hotline of Tricor Tengis Limited at (852) 2980 1333.

CONSTITUTIONAL DOCUMENTS

During the year, there were no changes in the constitutional documents of the Company, a copy of which has been uploaded to the websites of the Stock Exchange and the Company.

DIVIDEND POLICY

The Company has developed and adopted its Dividend Policy. The policy specifies that the Board will declare reasonable dividend to shareholders on a semi-annual basis or as of any date in consideration of the Group's financial performance, shareholders' interests, business strategy, reserves of the Company, taxation, compliance and other factors. The payment of dividends is subject to the approval by the Board and/or shareholders, and the amount of dividends to be paid shall not exceed the amount recommended by the Board.

SHAREHOLDERS' RIGHTS

1. Procedures for Shareholders to convene an EGM:

- The Company will hold an annual general meeting (AGM) every year. Any general meeting that is not the AGM will be referred to as an extraordinary general meeting (EGM). Shareholders who hold at least one-tenth of the Company's paid-up capital carrying the voting rights at general meetings can request the Board or the Company Secretary to call an EGM by submitting a written requisition. This requisition, signed by the shareholder, should set out the matters to be discussed at the meeting. The requisition should be deposited at the Company's principal office located at Suite 908, 9/F., Tower Two, Lippo Centre, 89 Queensway, Hong Kong. In case of joint holdings, it is sufficient for only one of the joint holders to sign the requisition.
- The requisition will be verified with the Company's Share Registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionist(s) concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.
- The EGM shall be held within two (2) months after the deposit of such requisition.
- If within twenty-one (21) days of such deposit the Board fails to proceed to convene the EGM, the requisitionist(s) himself (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 Board shall be reimbursed to the requisitionist(s) by the Company.

2. Procedures for Shareholders to make proposals at AGM:

There are no provisions allowing shareholders to make proposals or move resolutions at the AGM under the memorandum and articles of association of the Company or the companies laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may convene an EGM.

3. Procedures for Shareholders to send enquiries to the Board:

Shareholders may send their enquiries to the Board by addressing them to the Company Secretary. The Company Secretary will forward the enquiries to the Board.

The contact details of the Company Secretary are as follows:

Address	:	Suite 908, 9/F Tower Two, Lippo Centre 89 Queensway, Hong Kong
Email	:	info@huayitencent.com
Tel	:	3690 2050
Fax	:	3690 2059

By Order of the Board

YUEN Hoi Po
Executive Director and Chief Executive Officer

Hong Kong, 26 March 2024

ABOUT THIS REPORT

Huayi Tencent Entertainment Company Limited (the "Company") and its subsidiaries (together, the "Group") are pleased to present this Environmental, Social and Governance Report 2023 (the "ESG Report" or the "Report"). The Report aims to disclose, in an objective manner, what the Group accomplished in compliance with, as well as its internal policies, management measures and performance in relation to environmental, social and governance ("ESG") for the year 2023.

Reporting Scope

The disclosure of the Report covers the period from 1 January to 31 December 2023 (the "Reporting Period"), certain parts of which can be traced back to previous years. The Report covers the Group's ESG-related efforts and performance for its major continuing operations; i.e. the digitized operation services in healthcare industry ("Echartnow") and the smart healthcare services platform ("Meerkat Health").

Reporting Basis and Principles

The Report has been prepared in accordance with the ESG Reporting Guide (the "Guide") as set out in Appendix C2 to the Main Board Listing Rules on the Stock Exchange and the Materiality, Quantitative, Balance and Consistency principles as set out in the Guide to ensure its truthfulness and accuracy, and for the purpose of fully reflecting the current ESG management status and achievements of the Group while providing valuable information.

Source of Information

All sources of information and materials in the Report include the Group's internal formal documents, statistical reports and third-party questionnaires. The Report is examined and published by the Board, which is responsible for the authenticity, accuracy and integrity of its contents. The Group undertakes that there is no false representation, misleading statement or material omission in this Report.

THE ESG STRUCTURE

In order to meet its sustainable development needs, the Group has established its ESG structure comprising the Board, the "ESG Working Group" and its business and functional departments, with a view to strengthening its strategic research and strategic planning on sustainable development, and enhancing its capability to confront and manage environmental and social risks.

The Board takes the overall responsibility for the Group's ESG policies, measures and effectiveness. To ensure that the Company's performance and information disclosures are consistent with the expectations and requirements of investors and regulatory authorities, the Board is responsible for setting the Group's direction for sustainable development, formulating its annual ESG approaches, strategies, prioritisation and targets, monitoring the Company's assessment on environmental and social impacts, acknowledging the potential impacts on its business model brought about by such ESG issues and the associated risks thereof, reviewing the materiality assessment and reporting procedures with a view to ensuring the effective and continuous implementation of policies, regularly reviewing the performance of the Group based on relevant ESG targets and approving the information disclosed in the Report.

The Group has established a working group designated to oversee ESG-related matters. This working group is mainly responsible for carrying out the overall coordination in accordance with the sustainable development guidelines and objectives set by the Board, overseeing the formulation and implementation of sustainable development strategies, assisting the Company in creating harmonious relationships and building effective communication with internal and external stakeholders, as well as reviewing the Report and making the disclosure hereof. The "ESG Working Group" is responsible to the Board for providing necessary advice, with a view to ensuring that the Company's ESG management and reporting fulfil the regulatory requirements.

The Group's business and functional departments are responsible for formulating relevant strategies in their respective areas and for the effectiveness of implementation in accordance with the Company's sustainable development strategies and objectives.

MATERIALITY ASSESSMENT

The Group is well aware of stakeholders' critical influence on the Company's sustainable development. Through diversified communication channels, the Group has duly listened to the demands and expectations of its stakeholders. The Company has sorted out the opinions and suggestions of stakeholders, constantly reviewed its comprehensive development strategies, optimised internal management and externality management of its business, and worked with its stakeholders to achieve sustainable development.

Stakeholders	Communication channels	Concerned issues of stakeholders
Customers	Business cooperation meetings through online/offline/video/phone calls and other means Customer services Routine meetings Customer satisfaction surveys	Product quality and safety Information security and privacy protection Enhancement of service quality
Shareholders and investors	General meetings Company announcements Official website	Regulating corporate governance Complying with the Listing Rules Corporate transparency, as well as establishment and enhancement of the position and reputation of the Company
Employees	Employee trainings Employee events Performance reviews	Occupational training and promotion Ensuring occupational health Offering competitive remuneration packages
Governments/regulators	Routine reporting and information disclosure Full payment of taxes in a timely manner Supervision and inspection	Timely communication and disclosure Tax compliance Operational compliance
Suppliers and partners	Visits Regular assessment Exploration of cooperation opportunities	Provision of a fair environment for cooperation Enhancement of mutual trust and benefit Delivery of shared development
Community	Community environmental governance Participation in community building	Conservation of ecological systems Promotion of community development

Based on the scope of ESG set out in the Guide, and with reference to the characteristics of its businesses and industries, as well as the impact of its business operations on the economy, environment and society, the Group engaged a third-party consultant to conduct management interviews and market researches, which enabled the Company to identify issues that concerned its stakeholders the most, so as to effectively address their expectations and demands. Key disclosures were selected for the Report and the Group was assisted in determining its business development plan and ESG management objectives for the next year.

Materiality assessment for the year mainly comprised the following 4 steps:

Step 1: Identify material issues

According to the Group's business characteristics and the ESG management priorities for the industry, a total of 19 issues, which had significant impact on the Group's operations, were identified.

Step 2: Conduct interviews and market researches

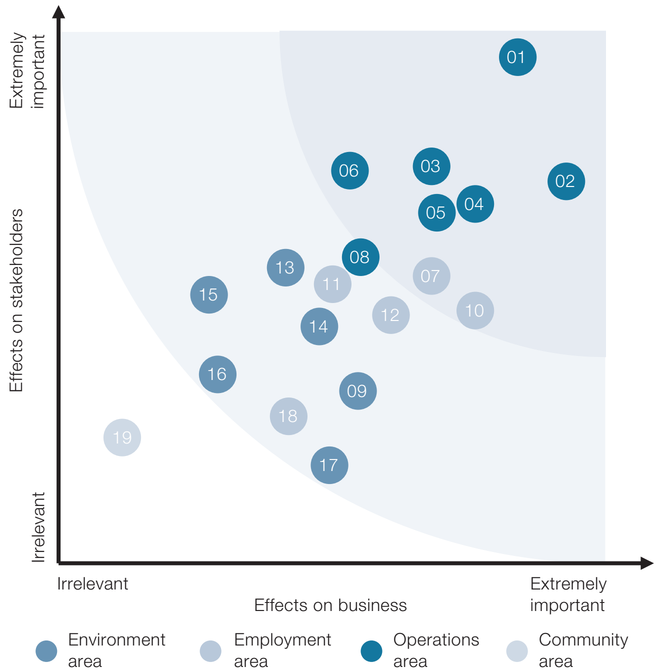
A third-party consultant was engaged to conduct management interviews for relevant business segments and benchmarking with comparable industry peers in respect of ESG performance.

Step 3: Determine the priority of issues

The priority of issues was determined according to the stakeholders' review. Upon submission to the management for their reviewing, the priority of issues for the year was confirmed.

Step 4: Respond to the issues

According to prioritisation of the issues, the Group communicated on the most concerned issues with stakeholders through the Report, the official website and other channels, and will pay close attention to these issues in the future.



Environment area

9 Climate change

14 Energy-use efficiency

15 Water-use efficiency

16 Exhaust gas emission and sewage discharge

17 Waste management

Employment area

7 Occupational health and safety

10 Employees training and development

11 Employment and labour compliance management

12 Employees' rights and care

13 Packages and benefits for employees

18 Diversity and equal opportunity

Operations area

1 Customer service and satisfaction management

2 Customer's information and privacy protection

3 Compliance on operation and anti-money laundering

4 Product quality and safety

5 Identification and management on supply chain in respect of environmental and social risks

6 Responsible marketing

8 Promoting the development of healthcare industry

Community area

19 Charity

PRODUCT AND SERVICE RESPONSIBILITIES

The Group is committed to maintaining a fair, honest and upright business environment, carrying out operation management in pursuit of excellence and providing high-quality products and high-standard services. It protects the rights and interests of customers in accordance with the law and keeps improving its anti-corruption mechanism. The Company strictly complies with the *Drug Administration Law of the People's Republic of China*, *the Pharmacopoeia of the People's Republic of China*, *Regulation of the People's Republic of China on Traditional Chinese Medicines*, *Regulation on the Supervision and Administration of Medical Devices*, *Food Safety Law of the People's Republic of China*, *Measures for the Administration of Health Food* and other laws and regulations on the quality and safety of medicines, medical devices, health food and pet medical-related products. Strict suppliers access criteria and evaluation standards are put in place to ensure suppliers' capacity and quality. The Company also conducts active training and publicity activities on anti-corruption and anti-money laundering, in order to promote honesty and integrity as part of its corporate culture.

Customers' Health & Safety

The Group requires its staff responsible for quality control to complete the training on quality management of medical devices organised by the Drug Supervision and Administration Department on a timely basis, so as to safeguard the quality management of the Company, maintain the order of the operation of the online sales of the medical platforms and protect the safety of customers. "Echartnow" has established a quality management team responsible for overseeing and auditing the product information of medical devices on "Echartnow". The Group also obtained the *GB/T 19001–2016/ISO 9001: 2015 Quality Management System Certification* during the year. During the reporting period, there were no product recalls for safety and health reasons within the Group.

Customers' Complaints & Responses

Adhering to customer-oriented principles, the Group has been constantly improving its service quality. Subsidiaries of the Group have developed and strictly followed the *Emergency Response & Management Guideline* and other guidelines to clarify contingent response processes for emergencies and the complaint management process. Emergencies are categorised into different levels and followed up by professional departments, with a view to addressing customer complaints, public opinion, government regulation and other incidents. During the Reporting Period, the Group did not receive any major complaints in relation to its products and services.

Customers' Information & Privacy Protection

The Group takes concrete measures to protect customers' information and privacy, comply with the *Personal Information Protection Law of the People's Republic of China*, *Data Security Law of the People's Republic of China* and other laws and regulations, and regularly update and review the existing privacy protection mechanism in accordance with the latest laws and regulations. As part of its effort to ensure information safety and reliability on its platform, "Echartnow" has developed and implemented rules such as the *Information Security Management Guideline*, *Measures for Cybersecurity and Data Compliance Administration* as well as *Rules for Data Security Administration*, which clarify its requirements for managing information security, including the definition of information rating, confidentiality requirements, and contingency plans in response to risk events. "Meerkat Health" has formulated its own rules, such as the *Information Security Technology — Personal Information Security Specifications*, it has also formed an Information Security Steering Group, and provided its workforce with compliance training to further raise their awareness about information security and privacy protection. The Group has signed privacy protection agreements with all employees who may have access to customers' personal information, emphasizing the importance of information security protection to employees, and preventing employees from disclosing, selling, sharing and other improper use of customer information.

Responsible Marketing

The Group abides by the *Advertising Law of the People's Republic of China*, *Provisions on the Administration of Pharmaceutical Directions and Labels* and other relevant laws and regulations. It strictly controls the information used for advertising, publicity, and streaming media, and prohibits the publication of deceptive or misleading contents to the public, so as to take the responsibility of ensuring the legality, authenticity and accuracy of the contents published, and avoid adverse effects on the public. "Echartnow" has established and strictly followed the marketing regulation processes under the *List of Compliant Marketing Processes and Standards for Pharmaceutical Companies* to ensure that all marketing information is legal and compliant through the regulation of the compliance review process of marketing materials for each business. "Meerkat Health" has specifically developed and improved a management guideline for external publications, which enhances its management procedures for the publication of various information, such as business cooperations, product services and market intelligence, with a view to ensuring the accuracy and compliance of the information disclosed.

Intellectual Property Rights Protection

The Group strictly abides by the *Patent Law of the People's Republic of China* and other laws and regulations. It has formulated and implemented the *Measures for the Administration of Intellectual Property Rights* to manage and apply intellectual property rights in respect of patents, trademarks, copyrights of works and software, with a view to safeguarding the core competitiveness of the enterprise. We plan to gradually strengthen intellectual property rights training and establish performance incentives for employees' effort in intellectual property rights protection, thereby raising their awareness of intellectual property rights.

SUPPLY CHAIN MANAGEMENT

The Group strictly abides by the *Law of the People's Republic of China on Bid Invitation and Bidding* and other laws and regulations. It has formulated and implemented the *Supplier Management Guideline* and the *Procurement Management Guideline*, through which it adheres to the principles of openness and transparency in all aspects of development, access and evaluation of suppliers and provides a fair competition platform for them. Meanwhile, we evaluate the capability of our suppliers and ensure the quality and reliability of the products they supply through regular quality inspections, environmental assessments and product certifications.

The Group selects suppliers of good reputation that offer high quality, timely services at reasonable prices. Compliance with environmental laws and regulations is also a prerequisite, and suppliers with excellent environmental performance will be preferred. As at 31 December 2023, the Group maintained good cooperative relationships with 555 suppliers with the following geographical distribution:

By region	Number of suppliers	Percentage
Mainland China	513	92.43%
Hong Kong	40	7.21%
Overseas	2	0.36%

OPERATING WITH INTEGRITY

In order to maintain a business environment with impartiality and integrity and ensure the Group's business is conducted properly, the Group strictly adheres to the *Anti-Money Laundering Law of the People's Republic of China*, *Law against Unfair Competition of the People's Republic of China*, the *Prevention of Bribery Ordinance (Cap. 201, Laws of Hong Kong)* and other laws and regulations, with a view to resolutely cracking down on corruption, bribery, malpractice, extortion, fraud, money laundering and other misconducts. The Group has continued to improve the anticorruption mechanism, formulate and implement various policies and guidelines such as the *Integrity Building Guidelines, Management Rules Against Malpractice*, the *Policy on Inside Information and Information Disclosure* and the *Code of Ethics*. It has strictly regulated the professional ethics of all employees from the policy level, strengthened the internal and external risk resistance capabilities, banned corruption and malpractice among employees, so as to do its best to safeguard the legitimate rights of its stakeholders, including shareholders, customers and business partners. During the reporting period, there was no litigation of corruption against the Group or its employees.

The Group requires new staff members to sign a *Compliance Undertaking*. It reminds its employees to pay attention to the code of ethical conduct, properly address conflicts of interest at work, and alert and prevent commercial bribery and other violations through a number of ways, including the Employee Handbook, relevant rules and policies, training sessions. Meanwhile, the Group has set up a dedicated email, telephone, and other channels for receiving reports and complaints on misconduct. If an employee is found to have committed a corrupt act after investigation, the employee will be ordered to accept financial and administrative penalties in accordance with the regulations of the State and the Group; and if such employee is suspected of having violated the law, the employee will be referred to the judicial authorities. In addition, the Group engages a third-party consultant to review the effectiveness of internal control and verify high risk areas annually, so as to identify and improve internal control deficiencies and prevent risks in a timely manner.

To strengthen the awareness of integrity among its employees, the Group has proactively carried out publicity and education on integrity, with a view to upholding a corporate culture that centres on honesty and integrity, thus creating an anti-corruption corporate environment. In 2023, the Company conducted training on anti-corruption for all members of the Board; "Echartnow" organised training for all staff members on the latest *Integrity Building Guidelines*, with a view to enhancing their awareness of anti-corruption.

TALENT CULTURE

"People-centric" is the core talent management philosophy of the Group. The Group is committed to ensuring the compliance of employment, with a view to providing its employees with a healthy, safe, harmonious and inclusive working atmosphere, together with clear pathways for career development and competitive remuneration and benefits, enhancing the sense of belonging among its employees through caring actions and activities, and thus achieving mutual growth. In compliance with the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Employment Ordinance (Cap. 57, Laws of Hong Kong)* and other relevant laws and regulations, the Group has formulated and implemented policies and systems of human resources management, aiming to standardise its management processes and safeguard the legitimate rights of its staff.

Human Resources Management

As at 31 December 2023, the Group had a total of 233 full-time staff in Hong Kong and Mainland China. The KPIs for employment are as follows:

Category		Number of Employees	Number of Leavers	Employee turnover rate
By gender	Male	125	107	46.12%
	Female	108	69	38.98%
By age group	35 and below	155	123	44.24%
	36–45	52	46	46.94%
	Over 45	26	7	21.21%
By geographical region of working place	Mainland China	225	176	43.89%
	Hong Kong	8	–	0.00%
Total		233	176	43.03%

Employment & Labour Practices

The Group regards talent as its most valuable asset. During the process of employment, the Group carries out the recruitment work through multi-level and multi-channel approach and in strict compliance with the *Recruitment Management Policy* and other systems. Based on various levels of positions and talent, the Group undertakes the introduction of talent via flexible channels of campus recruitment, external recruitment, internal referral and other channels. The Group strictly monitors all recruitment procedures and introduces objective and impartial standards, so as to guarantee fair recruitment. The Group has also entered into formal labour agreements or labour contracts with all employees, thus ensuring their legitimate rights and interests.

The Group strictly complies with the provisions on prohibiting child labour and forced labour specified in the *Law of the People's Republic of China on the Protection of Minors*, *Provisions on the Prohibition of Using Child Labour* and other relevant laws and regulations in jurisdictions where it operates. In order to ensure all formal employees meet the statutory minimum age for admission to employment in jurisdictions where it operates, the Group initiates an identity document verification during recruitment process, and conducts relevant background check. In case of any misrepresentation of age or presenting forged documents, the Group will either reject the candidates or terminate such employment immediately. During the Reporting Period, there were neither risks of child labour, forced or compulsory labour nor cases of engaging children or minors in dangerous tasks, forced or compulsory labour in jurisdictions where the Group operated, and all employees were reasonably remunerated with reasonable working hours and statutory holidays.

Diversity & Harmony

The Group is committed to implementing the concepts of diversity and equal opportunities, and eliminating discrimination and bias that might arise from, among others, colour, gender, age, national origin, nationality, language, religious belief and physical condition, thus creating an open and inclusive workplace on an ongoing basis. In addition, the Group has proactively implemented certain caring measures for female employees, which include prohibition on reducing their wages or unilaterally terminating the contracts due to pregnancy, childbirth or breastfeeding, ensuring that no hazardous task is assigned to a female employee during her pregnancy, entitling them paid leave for pregnancy check-ups, maternity leave and other maternity benefits in accordance with the provisions of the jurisdictions where it operates, so as to safeguard the fair employment practices for female employees.

Remuneration and benefits

The Group strictly implemented the *Remuneration Management Policy* under the principle of "All Talents and Resources Available shall be Optimally Used" during the Reporting Period. Based on the contribution value of each position to the achievement of the Group's strategic objectives, the Group links the remuneration and bonus of its employees with their personal ability, individual length of service, academic background and performance evaluation, thus ensuring the balance between the contribution and income of its employees. Taking into account factors including, among others, remuneration levels in the industry and its own operational efficiency, the Group adjusts the remuneration system and package annually when appropriate, so as to continuously optimise its ability to attract and retain talents. On the basis of the statutory rights, "Echartnow" arranges annual physical check-ups, provides workout plans and organises reading and sharing activities for its employees, while "Meerkat Health" supplements its employees with business medical and personal accident insurance coverage, so as to protect the health of its employees while bringing greater sense of happiness and belonging.

Employee Training & Development

The Group provides sufficient training opportunities for its employees and a favourable career development environment to stimulate their thinking and potentials, thus enhancing their work performance, offering them promotion and advancement opportunities, thereby helping the Group and its employees realise mutual sustainable development.

During the Reporting Period, "Echartnow" developed a training plan for its R&D centre, where online and offline trainings were provided. It collaborated with certain external professional training platforms at the initial stage, introducing videos of growth programmes for relevant skills and organised employees' studies. Furthermore, "Echartnow" also engaged lecturers selected from its internal talent pool to develop targeted programmes, aiming to empower employees to pursue personal growth. "Meerkat Health" encourages its employees to participate in various training sessions. It also develops an annual programme offering training in forms of, among others, conference, seminars, internal and external sessions, with a view to helping employees improve their work performance by enhancing skills and knowledge needed at work. In addition, "Meerkat Health" also drives employees towards better personal performance through various methods, such as training development need analysis, training development recommendations and their implementation, and training development evaluation.

As at 31 December 2023, KPIs of the Group's staff training were as follows:

Category		Average training hours per employee	Percentage of employees trained
By gender	Male	4.29	96.00%
	Female	6.17	99.07%
By grade	Senior management	9.81	75.00%
	Middle management	3.14	97.10%
	General staff	5.60	100.00%

Occupational Health and Safety

The Group advocates the concept of "healthy work, healthy life", attaches great importance to the safety of its employees at work and considers maintaining a healthy and safe working environment to be its key obligation. In strict compliance with the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, the *Fire Protection Law of the People's Republic of China*, the *Occupational Safety and Health Ordinance (Cap. 509, the Laws of Hong Kong)* and other relevant laws and regulations, the Group implemented the *General Requirements for Occupational Safety and Health Management* and other safety management systems, continuously improved the safety management framework, ensured the occupational safety and health of the employees by strictly implementing the safety management work, providing safety protection, cultivating the safety awareness of the employees, organising fire drills and providing regular medical check-ups for our employees. We also regularly review the existing safety management mechanism in accordance with the latest laws and regulations, while revising and updating on the problems and gaps identified. In 2023, the Group conducted 17 hours of health and safety training and eight fire drills. During the Reporting Period and in the past three years, there was no incident of work-related injury or death of employees of the Group.

Caring for Employees

The Group is committed to providing its employees with a convenient, comfortable, engaging and hassle-free workplace, and to creating a stronger sense of belonging. "Echartnow" continues to work on communication and care in the two dimensions of "Information Accessibility" and "Health and Wellbeing". Meanwhile, "Meerkat Health" has specifically developed the *Employee Communication and Caring Guidelines*. In 2023, the Group organised team-building activities during holidays to strengthen staff relations. Various staff activities, such as sports day and variety shows, were also organised to promote engagement and communication among employees.

Notes to social KPIs:

(1) Data of social KPIs covers the Group's head office in Hong Kong, as well as the business segments of "Echartnow" and "Meerkat Health".
(2) Employee turnover rate: = number of employees leaving employment under the category/(total number of employees at end of Reporting Period + number of employees leaving employment in the current year) × 100%.
(3) Percentage of employees trained = number of employee trained/number of employees at year end.
(4) Average training hours = total training hours/number of employees at year end.

GREEN OPERATION

The Group fully understands that environmental protection is an important responsibility of a corporate citizen. In strict compliance with the *Environmental Protection Law of the People's Republic of China*, the *Waste Disposal Ordinance* of Hong Kong and other relevant laws and regulations, the Group actively responses to the national call during its operations to achieve the 'carbon peaking and carbon neutrality' goal, as it conscientiously implements various environmental protection measures and strives to realise the green development concept by reducing pollution emissions, enhancing energy utilisation and reasonably disposing of waste. During the Reporting Period, the Group's operations complied in all material respects with national and local laws and regulations on environmental protection as applicable, and it was not subject to any penalties for any non-compliance with existing environmental laws or regulations.

Emission Management

As more frequent extreme weather phenomena are being brought by climate changes, the Group has recognised such issues and the fact that such phenomena may adversely affect its production and operation. It has therefore been proactively responding to the national call for "energy conservation and emission reduction" by adhering to the philosophy for sustainable and low-carbon development.

During the Reporting Period, carbon emissions generated by the Group were as follows:

Greenhouse gas emissions (scope 1) (tonne)	28.10
Greenhouse gas emissions (scope 2) (tonne)	82.35
Total greenhouse gas emissions (scope 1, 2) (tonne)	110.45
Greenhouse gas emission intensity (scope 1, 2) (tonne/HK$ million)	0.0829

Energy Use

All facilities and equipment of the Group must comply with the standards of the jurisdictions where it operates, with priority given to the use of energy-efficient appliances such as lighting devices, air conditioners and refrigerators. For the purpose of reducing unnecessary energy consumption, the Group reasonably sets the office area lighting time and air-conditioning temperature, and requests employees to switch out lights and appliances as they leave the workplace. In addition, to ensure the normal operation and extend the useful life of various electrical appliances, the Group regularly conducts maintenance and repairs, thus avoiding the impact on power efficiency due to ageing.

During the Reporting Period, total direct and indirect energy consumption of the Group was as follows:

Total non-renewable fuel (direct) consumption ('000 kWh)	93.74
Total purchased energy (indirect) consumption ('000 kWh)	141.48
Total energy consumption ('000 kWh)	235.22
Energy consumption intensity ('000 kWh/HK$ million)	0.1750

Exhaust Emissions

The Group's exhaust emissions are mainly derived from gas fuel use and utilisation of company vehicles. In strict compliance with the latest environmental requirements, all segments under the Group have switched to new equipment to minimise unnecessary fuel consumption, improve combustion efficiency and reduce exhaust emissions.

During the Reporting Period, exhaust emissions generated by the Group were as follows:

Nitrogen oxide emissions (kg)	4.32
Sulphur oxide emissions (kg)	0.16
Particulate matter emissions (kg)	0.32

Waste Disposal

The Group strictly complies with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Measures for the Prevention and Control of Environmental Pollution by Discarded Dangerous Chemicals* and other laws and regulations, thus conducting strict and compliant management of wastes in preventing environmental pollution.

During the Reporting Period, waste generated by the Group was as follows:

Non-hazardous waste produced (tonne)	1.01
Non-hazardous waste intensity (tonne/HK$ million)	0.0008

Among the non-hazardous waste generated by the Group, scrap metal parts, plastics, office paper and other wastes with recycling value are kept by the persons in charge of the generating departments, and are processed together occasionally through reselling to the recycling stations. In order to reduce the generation of non-hazardous waste, the Group has also entered into contracts with professional companies for integrated loading, removal and disposal.

Sewage Discharge

The Group strictly complies with the *Environmental Quality Standards for Surface Water* and other laws and regulations. In accordance with plans of the municipal administration, domestic sewage generated by the Group, which is mainly derived from its office premises, is collected via designated sewage pipes and subsequently discharged to the municipal sewage network, where it will be treated in a centralised manner by relevant sewage treatment plants.

Water Consumption

The Group obtains commercial water through government water supply department and strictly complies with the *Water Law of the People's Republic of China* and other laws and regulations, reasonably utilising water resources. For daily office water consumption, the Group actively promotes the concept of water conservation, analyses the causes of abnormal consumption and implements improvement plans in a timely manner, with a view to reducing the wastage of water resources. During the Reporting Period, the Group did not have any problem in sourcing fit-for-purpose water.

During the Reporting Period, total water consumption and density of the Group were as follows:

Municipal-supplied water consumption (cubic metre)	
Total water consumption (cubic metre)	2,855.89
Water consumption intensity (cubic metre/HK$ million)	2.1249

Notes to environmental KPIs in this Chapter:

(1) During the Reporting Period, the scope of data collection covered the Group's offices in Hong Kong, office areas of "Echartnow" and "Meerkat Health" in Suzhou/Xi'an and Hangzhou, respectively.

(2) Exhaust gas emissions are derived from the motions of company vehicles, whose emission factors are determined with reference to the *Reporting Guidance on Environmental KPIs* (the "Reporting Guidance") from the Stock Exchange.

(3) Greenhouse gas emissions (scope 1) mainly come from the fuel consumption of company vehicles, while greenhouse gas emissions (scope 2) are generated from the electricity consumption. The emission factors of greenhouse gases are determined under the *Reporting Guidance* from the Stock Exchange and the *Notice on Proper Management of Enterprise Greenhouse Gas Emissions Reporting by the Power Generation Industry for 2023–2025 (Environmental Office Climate Letter [2023] No. 43)* published by the Ministry of Ecology and Environment of the People's Republic of China.

(4) Conversion factors for energy heating value are determined under the *General Principles for Calculation of Total Production Energy Consumption (GB/T 2589–2020)* issued by the PRC and the *Energy Statistics Manual 2017* issued by the International Energy Agency.

Climate Change

As the impact from climate change becomes increasingly evident across the globe, the Group has assessed and analysed the transition risks, physical risks and potential opportunities associated with climate change with reference to the classification of risks by the *Task Force on Climate-related Financial Disclosures*, and disclosed information on climate-related issues, their implications, and its responding measures.

Governance

The Group pays continuous attention to global climate change as well as relevant laws and regulations. It is systematically identifying and assessing the risks of climate change to its sustainable development, and is developing strategies to address them, with a view to enhancing its ability to cope with climate change, while fully supporting carbon neutrality actions at the strategic, operational and financial levels.

Strategy

Transition risks for the Group result from the global transition to a climate-resilient low-carbon economy, which include policy and legal, technology, market, reputation and other risks. Physical risks result from extreme weather events and the rising global average temperature, which include acute and chronic risks. The Group has initially identified key risks and opportunities of climate change as follows:

In terms of transition risks, there is no significant impact on the Group relating to current climate change policies. Moreover, as its business is currently less exposed to scenarios arising from climate change, the Group is not aware of any potential changes in demand for its products or services as a result of climate change. Besides, the negative impact on the environment arising from the Group's business operations is relatively small. As such, the risk of future transition to a low-carbon and energy-efficient economy is expected to be low.

In terms of physical risks, the Group has formulated related contingency plans across its businesses. Prevention and protection against unexpected events are achieved through arranging for employees to work flexibly in the event of an extreme weather event. In 2023, the Group did not suffer any disruptive effects due to any extreme weather events. In summary, the Group expects its physical risks to be low.

Risk management

The Group comprehensively enhances its system-building efforts and control measures in response to climate-related risks and opportunities, aiming to achieve higher-level contingency management. Contingency drills are also conducted regularly to safeguard employee safety. The Group identifies and evaluates climate risks relevant to it by regularly analysing insights into external trends and conducting regular discussions with the management, with a view to ensuring that climate change exposure, which is constantly changing, is appropriately considered. The Group believes that climate-related risks do not have a significant impact on the Group's financial position and operations.

Indicators and targets

In the face of various development challenges and opportunities that may arise from climate change-related factors in the future, the Group will reduce operating costs by improving the efficiency of resource use, and save energy costs by switching to low-emission energy sources. It will enhance its competitiveness by creating and developing new products and services of low emissions, as it diversifies its business to embrace the transformation into a low-carbon and socially friendly enterprise.

COMMUNITY INVESTMENT

Fully aware of its corporate social responsibilities, the Group actively participates in social charity and constantly cares for vulnerable groups. In forms such as donations and charity events, the Group fully leverages on its strengths in resource reserve to support the development of local communities and give back to the society wherever possible.

In 2023, the Group actively participated in government initiatives and community-building initiatives, addressing challenging issues faced by community and government authorities. Joining hands with the Shaanxi Runze Service Team of the China Council of Lion Clubs, the Shuguang Rescue Team of Weicheng District in Xianyang City, children from disabled organisations and their teachers and parents, "Echartnow" launched the "Walkathon with the disabled and able-bodied" Xi'an City Wall charity night run with its employees, while planning to take a more active part in engaging communities and participating in community-building activities through joint charity clinics and donations in the future.

BOARD OF DIRECTORS

Mr. Cheng Wu

Director since 2018
Vice Chairman and Executive Director
Mr. CHENG Wu, aged 49, currently serves as Vice Chairman of the Board and Executive Director of the Company. He is a member of Executive Committee. Mr. CHENG graduated from Tsinghua University with a Bachelor of Science degree in Physics. He also gained an EMBA degrees from the Olin Business School at Washington University and the PBC School of Finance at Tsinghua University.

Mr. CHENG resigned as an executive director and chief executive officer of China Literature Limited (Stock Code: 772), a subsidiary of Tencent Holdings Limited (Stock Code: 700) ("Tencent") on 9 May 2023. Tencent is a substantial shareholder of the Company and a company listed on the Main Board of the Hong Kong Stock Exchange. Mr. CHENG resigned as a non-executive director of Maoyan Entertainment (Stock Code: 1896), the shares of which are listed on The Stock Exchange of Hong Kong Limited, in November 2022.

Mr. YUEN Hoi Po

Director since 2010
Executive Director and Chief Executive Officer
Mr. YUEN Hoi Po, aged 61, currently serves as Executive Director and Chief Executive Officer of the Company. He is the Chairman of Executive Committee and Corporate Governance Committee as well as a member of Remuneration Committee. Mr. YUEN holds a Bachelor of Business Administration degree from the University of Heilongjiang. Mr. YUEN is the sole member and the sole director of Smart Concept Enterprise Limited which is a substantial shareholder of the Company pursuant to Part XV of the Securities and Futures Ordinance and a director of several subsidiaries of the Company. Mr. YUEN has acquired extensive experiences in the commercial sector when he engaged in businesses, including trading, real estates, tourism and services, since 1990. Mr. YUEN is currently an independent non-executive director of Man Sang International Limited (Stock Code: 938), a company listed on The Stock Exchange of Hong Kong Limited.

Mr. YUEN Kin

Director since 2004
Independent Non-Executive Director
Mr. YUEN Kin, aged 69, currently serves as Independent Non-executive Director of the Company. He is the Chairman of Audit Committee and Remuneration Committee of the Company as well as a member of Corporate Governance Committee. Mr. YUEN holds a Master of Business Administration degree from the University of Toronto, Canada. He is a Chartered Accountant in Canada, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. YUEN is currently an independent non-executive director of Emerson Radio Corporation (NYSEMKT: MSN), a company listed on The New York Stock Exchange. He is also an executive director of Culturecom Holdings Limited (Stock Code: 343), a company listed on The Stock Exchange of Hong Kong Limited.

Mr. CHU Yuguo

Director since 2012
Independent Non-Executive Director
Mr. CHU Yuguo, aged 58, currently serves as Independent Non-executive Director of the Company. He is the Chairman of Nomination Committee as well as a member of Audit Committee and Corporate Governance Committee. Mr. CHU is a PhD fellowship of Peking University. He was a lecturer of the Department of Computer Science & Technology of Peking University, deputy head and head of office of admission of Peking University Office of Educational Administration, head of asset management office of Peking University, and the chairman and general manager of Peking University Science Park. He is the chairman of Beijing Jade Bird Education & Technology Development Co., Ltd.

MS. WANG Song Song

Director since 2023
Independent Non-Executive Director
Ms. WANG Song Song, age 55, currently serves as Independent Non-executive Director of the Company. She is a member of the Nomination Committee and Remuneration Committee of the Company. Ms. WANG holds a bachelor degree in Clinical Medicine Capital Institute of Medicine from Capital Medical University, and has worked in the pharmaceutical industry over 15 years. Ms. WANG has held various key leadership positions in the pharmaceutical multinational corporations, accumulating extensive experience in the fields of new drug development, regulatory submission, product launch and post-marketing medical support.

Ms. PAN Min

Director since 2023
Independent Non-Executive Director
Ms. PAN Min, aged 53, currently serves as Independent Non-executive Director of the Company. She is a member of Audit Committee and Nomination Committee of the Company. Ms. PAN received a doctorate in Management from Wuhan University in 2015. Ms. PAN is a Certified Practising Accountant in the PRC, and has over 30 years of professional accounting and auditing experience in accounting firms in the PRC, with business involving China, Hong Kong and Europe.

Ms. PAN is currently an independent director of Shanghai Hugong Electric (Group) Co., Ltd. (SSE Stock Code: 603131) and Shanghai Golden Union Commercial Management Co., Ltd. (SSE Stock Code: 603682), the shares of which are listed on the Shanghai Stock Exchange. She is also an independent director of Harbin Gloria Pharmaceuticals Co., Ltd. (SZSE Stock Code: 002437), the companies listed on Shenzhen Stock Exchange.

Ms. PAN resigned as an independent director of Shanghai Shuixing Home Textile Co., Ltd. (SSE Stock Code: 603365) and Shanghai Jiaoda Onlly Co., Ltd. (SSE Stock Code: 600530), the companies listed on Shanghai Stock Exchange, in June 2021 and in June 2022 respectively, and also resigned as an independent director of Shandong Longji Machinery Co., Ltd. (SZSE Stock Code: 002363), a company listed on Shenzhen Stock Exchange, in August 2023.

SENIOR MANAGEMENT

Mr. HAU Wai Man, Raymond

Mr. HAU Wai Man, Raymond, aged 49, is the Chief Financial Officer, Qualified Accountant, Company Secretary and director of several subsidiaries of the Company. He is a fellow member of the Association of Chartered Certified Accountants (ACCA), a member of Hong Kong Institute of Certified Public Accountants (HKICPA) and a Chartered Financial Analyst (CFA) Charterholder. He holds an MBA degree from The Hong Kong University of Science and Technology (HKUST), and has over 10 years of experience in international accounting firms and corporates in Hong Kong and the PRC before joining the Company in 2006.

Ms. SHANG Jing

Ms. SHANG Jing, aged 41, is the director, general manager and was one of the founders of Shaanxi Yizhinuo Information Technology Co., Limited, a subsidiary of the Group. She joined the Group as its president, Healthcare Unit (Echartnow) upon the completion of the Company's acquisition of Shaanxi Yizhinuo Information Technology Co., Limited in April 2021. Ms. SHANG has about 10 years' experience in sales and marketing in pharmaceutical multinational corporations, including Pfizer and Novartis. Ms. SHANG also serves as director of several subsidiaries of the Company.

Mr. WANG Jian

Mr. WANG Jian, aged 49, is the director, general manager and was one of the founders of Pingtan Xinban Clinic Company Limited, a subsidiary of the Group. He joined the Group upon the completion of the Company's acquisition of Pingtan Xinban Clinic Company Limited in April 2021. Mr. WANG holds a bachelor degree in clinical medicine, and has over 25 years' experience in professional medical practice, management of medical and health technology enterprises, as well as investments and entrepreneurship in the field of medical and health technology. Mr. WANG also serves as director of several subsidiaries of the Company.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") is pleased to submit its report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in (i) digitized operation services in healthcare industry (formerly known as online prescription, circulation and marketing of pharmaceutical products) ("Echartnow"); (ii) smart healthcare services platform ("Meerkat Health"); and (iii) entertainment and media business. Details of the principal activities of the Company's principal subsidiaries as at 31 December 2023 are set out in Note 37 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 3 to 12 of this Annual Report.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 49 of this Annual Report.

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2023.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 108 of this Annual Report.

DONATIONS

No donation was made by the Group during the year (2022: Nil).

SHARE ISSUED IN THE YEAR

Details of the shares of the Company issued in the year ended 31 December 2023 are set out in Note 28 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Mr. CHENG Wu (Vice Chairman)[1]
Mr. YUEN Hoi Po (Chief Executive Officer)[1]
Mr. YUEN Kin[2]
Mr. CHU Yuguo[2]
Ms. WANG Song Song[2,3]
Ms. PAN Min[2,3]
Dr. WONG Yau Kar, David, GBS, JP[2,4]

1. Executive Director
2. Independent Non-executive Director
3. Appointed on 20 June 2023
4. Dr. WONG Yau Kar, David resigned on 20 June 2023 and confirmed that he has no disagreement with the Board and has unaware of any matter in relation to his resignation that needs to be brought to the attention of the shareholders of the Company.

In accordance with Article 87(1) of the Company's Articles of Association, Mr. YUEN Hoi Po and Mr. YUEN Kin shall retire from office by rotation at the forthcoming annual general meeting, and being eligible, offers themselves for re-election.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company, as a responsible corporate citizen, is committed to promoting sustainable initiatives and performing its social responsibilities. For further details, please refer to the ESG report as set out on pages 21 to 28 of this Annual Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and Senior Management as at the date of this report are set out on pages 29 to 30 of this Annual Report.

EMOLUMENTS OF DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST-PAID INDIVIDUALS

The Group's remuneration policy rewards Directors and senior management based on industry benchmark metrics, including their individual performance, level of involvement and the overall performance of the Group.

Particulars of the emoluments of the Directors and the five highest-paid individuals of the Group during the year are set out in Notes 12 and 35 to the consolidated financial statements.

The remuneration of the senior management of the Group for the year falls within the following band:

Remuneration Bands	Number of senior management
HK$500,001–HK$1,000,000	1
HK$1,000,001–HK$1,500,000	–
HK$1,500,001–HK$2,000,000	1
HK$2,000,001–HK$2,500,000	1

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

Share Schemes

With the amended Chapter 17 of the Listing Rules taking effect on 1 January 2023, transitional arrangements allowed the Company to continue granting share awards and/or options over new shares under existing Share Option and Share Award Scheme mandates. This continued until the earlier of two events: (i) the second annual general meeting following 1 January 2023 or (ii) the need to refresh the scheme mandate limit.

In consideration of these transitional arrangements and to ensure ongoing compliance with the revised Listing Rules, the Company is going to amend the Share Option Scheme and Share Award Scheme (collectively the "Share Schemes") at the general meeting scheduled for 2024. The provisions of the new Share Schemes are specifically designed to align with the requirements of the amended Chapter 17.

Below is a summary of the existing Share Schemes:

	Share Option Scheme	Share Award Scheme
Adoption date	Share Option Scheme of the Company adopted on 21 June 2022.	Share Award Scheme of the Company adopted on 20 August 2021.
Purpose	It is designed to attract and retain the best available personnel, to provide additional incentives to eligible participants and to promote the success of the business of the Group.	It is designed to recognize the contributions of certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.
Participants	The Company could continue to grant share awards and/or options over new shares to eligible participants (as defined in the amended Chapter 17) including a person or an entity belonging to any of the following classes pursuant to the transitional arrangements for the Share Schemes adopted before the effective date of the amended Chapter 17: (a) any eligible director or employee of the Group; (b) any eligible director or employee of the related entities of the Company; and (c) any service providers who provide services to the Group on a continuing and recurring basis in their ordinary and usual course of business which are in the interests of the long-term growth of the Group.	
Total number of shares available for issue under the Share Schemes and percentage of issued shares as at the date of this Report	The total number of shares available for issue under the Share Option Scheme was 1,356,060,657 Shares, representing approximately 9.98% of the Company's issued shares as at the date of this Report.	The total number of shares available for issue under the Share Award Scheme was 1,272,310,657 Shares, representing approximately 9.37% of the Company's issued shares as at the date of this Report.
Maximum entitlement of each participant	The grant of share awards and/or options to an individual participant in any 12-month period shall not exceed 1% of the relevant class of shares of the Company in issue.	
The period within which the option may be exercised by the grantee	The options are not exercisable for more than 10 years from the offer date.	N/A
The vesting period of options or awards granted	Upon the fulfilment of all vesting conditions to the grant of the share options.	Upon the fulfilment of all vesting conditions to the vesting of the awarded shares.
The amount, if any, payable on application or acceptance of the options or awards and the period within which payments or calls must or may be made or loans for such purposes must be repaid	A participant shall pay the Company HK$1.00 for the acceptance of an option offer within 21 days from the offer date.	The share awards shall be granted for nil consideration.
The basis of determining the exercise price of options granted or the purchase price of shares awarded, if any	The minimum exercise price shall not be less than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (c) the nominal value of the Shares.	N/A
Remaining life	The Share Schemes shall remain valid and effective for a period of 10 years from the date of adoption.	

No share options under the Share Option Scheme were granted, exercised, cancelled, or lapsed during the year. As a result, there were no outstanding options as at 1 January 2023 and 31 December 2023. Furthermore, the Company did not grant any options or awards under the Share Schemes involving existing shares to any directors, the five highest-paid individuals, or other grantees. Consequently, no purchase price was paid for the acquisition of existing shares. Additionally, the Trustee shall not have the authority to exercise any voting rights regarding the Shares held pursuant to the Trust Deed. Details of the movements of the share awards involving new shares of the Company during the year are presented in the following table:

		Number of share or awards							Price of share	
Name or category of participants	**Date of grant**	**As at 1 January 2023**	**Granted during the year**	**Vested during the year**	**Cancelled during the year**	**Lapsed during the year**	**As at 31 December 2023**	**Vesting period**	**closing price immediately before grant date**	**weighted average closing price immediately before vesting date**
		'000	'000	'000	'000	'000	'000		HK$	HK$
Other employee participants										
Share awards	31 March 2023	–	15,000 Note 1	–	–	–	15,000	Note 2	0.14	N/A

Note 1: The share awards granted during the year ended 31 December 2023 were not tied to any performance targets. Details of the fair value of share awards at the date of grant and accounting standard and policy adopted are set out in Note 28 to the consolidated financial statements.

Note 2: The initial 50% of the aggregate awards will become vested on the first trading day immediately following 31 March 2024. Subsequently, each 25% of the total awards will vest on the first trading day after 31 March 2025 and 2026, respectively. The awards can be fulfilled through (i) allotting and issuing shares and/or (ii) utilizing returned shares that can be awarded to the grantee.

For the year ended 31 December 2023, the ratio of the number of shares that may be issued in respect of awards granted under all share schemes adopted by the Company (i.e. 15,000,000) to the weighted average number of issued shares for the year (i.e. 13,585,338,609) was approximately 0.11%.

Save as disclosed above, as at 31 December 2023, no options or awards have already been granted or to be granted under the Share Schemes to: (i) any of the Company's directors, chief executive, or substantial shareholders, or their associates; (ii) any participant with options and awards exceeding the 1% individual limit (as defined under Chapter 17 of the Listing Rules); (iii) any related entity participant or service provider with options and awards exceeding 0.1% of the issued shares of the Company in issue in any 12-month period; and (iv) any employee participants, related entity participants or service providers.

Number of the Share options and/or awards available for grant as at 1 January 2023 and 31 December 2023 are as follows:

	Under the mandate limit	
	As at 1 January 2023	**As at 31 December 2023**
Share options	1,356,060,657	1,356,060,657
Share awards	1,287,310,657	1,272,310,657

COMPETING BUSINESS

During the year, none of the Directors had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2023, calculated under the Companies Law of the Cayman Islands and the Company's Articles of Association, amounted in total to HK$109,837,000 (2022: HK$198,021,000), representing the share premium of HK$1,228,635,000 (2022: HK$1,226,728,000) less the accumulated losses of HK$1,118,798,000 (2022: HK$1,028,707,000). The Company may make distributions to its members out of the share premium in certain circumstances subject to the Articles of Association of the Company.

SUBSEQUENT EVENT

The event affecting the Company that have occurred since the end of the financial year is set out in Note 36 to the consolidated financial statements and Management Discussion and Analysis of this report.

MAJOR SUPPLIERS AND MAJOR CUSTOMERS

For the year ended 31 December 2023, the percentage of cost of sales attributable to the Group's five largest suppliers are as follows:

The percentage attributable to the largest supplier	51%
The percentage attributable to the five largest suppliers combined	92%

For the year ended 31 December 2023, the percentage of revenue from sales of goods or rendering of services attributable to the Group's major customers are as follows:

Percentage attributable to the largest customers	9%
Percentage attributable to the five largest customers combined	35%

None of the Directors, their close associates or any shareholder (who to the knowledge of the Directors own more than 5% of the Company's issued shares) had an interest in these major suppliers or customers, as appropriate.

RETIREMENT BENEFIT SCHEME

Details of retirement benefit scheme of the Group are set out in Note 2(c)(xii) to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There were no transactions, arrangements or contracts of significance in relation to the Company's business in which (i) the Company, any of its subsidiaries, or a controlling shareholder or any of its subsidiaries were involved, and (ii) a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2023, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held			% of total issued share capital of the Company (Note 1)
Name of Directors	**Capacity**	**Personal interest**	**Corporate interest**	**Total**	
YUEN Hoi Po	Beneficial owner and interest of a controlled corporation	459,310,000	1,938,030,107 (Note 2)	2,397,340,107	17.65
CHU Yuguo	Beneficial owner	2,000,000	–	2,000,000	0.01

Notes:

1. The percentage of shareholding is calculated with reference to the Company's number of shares in issue as at 31 December 2023.

2. Mr. YUEN Hoi Po was deemed to be interested in 1,938,030,107 shares of the Company held by his wholly-owned corporation namely, Smart Concept Enterprise Limited.

Save as disclosed above, as at 31 December 2023, none of the Directors, Chief Executives nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed under the sections headed "Share Schemes" and "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, at no time during the year was the Company or a specified undertaking (within the meaning of the Hong Kong Companies Ordinance) of the Company is a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporation.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2023, the interests and short positions of the following persons (other than Directors or Chief Executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company:

Name of Shareholders	Capacity	Nature of Interests	Number of shares held	% of total issued share capital of the Company (Note 1)
YUEN Hoi Po	Beneficial owner and interest of a controlled corporation (Note 2)	Beneficial and corporation interest	2,397,340,107	17.65
Tencent Holdings Limited	Interest of a controlled corporation (Note 3)	Corporation interest	2,116,251,467	15.58
KO Chun Shun, Johnson	Interest of a controlled corporation (Note 4)	Corporation interest	1,262,000,000	9.29

Notes:

1. The percentage of shareholding is calculated with reference to the Company's number of shares in issue as at the 31 December 2023.

2. Smart Concept Enterprise Limited is wholly-owned by Mr. YUEN Hoi Po and was beneficially interested in 1,938,030,107 shares which representing approximately 14.27% of the total number of issued shares of the Company. Pursuant to the SFO, Mr. YUEN was deemed to be interested in these Shares.

3. Mount Qinling Investment Limited is a wholly-owned subsidiary of Tencent Holdings Limited and is beneficially interested in 2,116,251,467 shares of the Company. Pursuant to the SFO, Tencent Holdings Limited was deemed to be interested in these Shares.

4. Greater Harmony Limited is wholly-owned by Mr. KO Chun Shun, Johnson and was beneficially interested in 1,262,000,000 shares of the Company. Pursuant to the SFO, Mr. KO was deemed to be interested in these Shares.

Save as disclosed above, as at 31 December 2023, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS

The Group has been operating certain businesses which adopted contract-based arrangements or structures for the purpose of enabling the Group, as a foreign investor, to control and benefit from the PRC operating companies in the foreign restricted businesses in the PRC.

Set out below are the details of the relevant contractual arrangements which are material to the Group and subsisting during or at the end of the year ended 31 December 2023.

1. Contractual Arrangements ("HZ VIE Contractual Arrangements") in respect of Hangzhou Meerkat Health Technology Co., Ltd. (杭州獴哥健康科技有限公司) ("Hangzhou Meerkat") and its subsidiaries (together with Hangzhou Meerkat, the "Hangzhou Meerkat Group")

1.1 Particulars of Hangzhou Meerkat and its registered owners

Hangzhou Meerkat is a company established under the laws of the PRC with limited liability in July 2021. Hangzhou Meerkat is held as to 60% and 40% by Mr. YANG Aiwu and Ms. DONG Yu (the "HZ PRC Equity Owners") respectively. Pursuant to an investment framework agreement dated 8 October 2021 (the "HZ Investment Framework Agreement") entered into among the Company, Heartily Health Limited (a wholly-owned subsidiary of the Company), Top Crest Ventures Limited (the "ESOP"), Ever Merit Ventures Limited (the "Individual SPV") and the HZ PRC Equity Owners as detailed in the announcement of the Company dated 8 October 2021, control documents were entered into on 26 October 2021 between Hangzhou Yuexiang Health Technology Co., Ltd. (杭州悦響健康科技有限公司) (the "HZ WFOE") (a company incorporated in the PRC with limited liability which is indirectly owned as to 60%, 20% and 20% by the Company, the ESOP and the Individual SPV respectively) and Hangzhou Meerkat and/or the HZ PRC Equity Owners to allow the HZ WFOE to contractually control 100% equity interests and the management of Hangzhou Meerkat.

Ms. DONG Yu is the director and the chief executive officer of Hangzhou Meerkat and is responsible for overseeing the strategy, management and operation of Hangzhou Meerkat Principal Businesses. Mr. YANG Aiwu is an employee of the Group in the PRC since year 2011. Mr. YANG Aiwu is not a director of or involved in the management of Hangzhou Meerkat or the HZ WFOE.

1.2 Description of Hangzhou Meerkat's principal businesses and their significance to the Group

Hangzhou Meerkat is principally engaged in the business of Smart Healthcare Services Platform ("Hangzhou Meerkat Principal Businesses"). Please refer to the section "Management Discussion and Analysis" for details.

Key financial indicators of Hangzhou Meerkat are set out in paragraph 1.4 below.

1.3 Summary of the major terms of the underlying contracts of the HZ VIE Contractual Arrangements

1.3.1 *Exclusive Business Cooperation Agreement*

The HZ WFOE and Hangzhou Meerkat entered into the exclusive business cooperation agreement on 26 October 2021, pursuant to which Hangzhou Meerkat agreed to appoint the HZ WFOE as its exclusive service provider to provide Hangzhou Meerkat with comprehensive technical and business support and related consultancy services in relation to Hangzhou Meerkat Principal Businesses, and Hangzhou Meerkat agreed to pay service fees which shall be equal to the annual audited consolidated net profits after taxation of Hangzhou Meerkat to the HZ WFOE.

1.3.2 *Exclusive Purchase Right Agreement*

The HZ WFOE, the HZ PRC Equity Owners and Hangzhou Meerkat entered into the exclusive purchase right agreement on 26 October 2021, pursuant to which the HZ PRC Equity Owners and Hangzhou Meerkat shall irrevocably grant the HZ WFOE an exclusive right to purchase or nominate any entity(ies) to purchase at any time all or part of their existing and future equity interest in Hangzhou Meerkat and all or part of the existing and future assets of Hangzhou Meerkat respectively at the lowest price permissible under the PRC laws and regulations when permitted by the then applicable PRC laws in its sole discretion when exercising its right. The consideration to be received by the HZ PRC Equity Owners and/or Hangzhou Meerkat thereunder shall be unconditionally gifted to the HZ WFOE or its designated entity to the extent permitted under applicable PRC laws.

1.3.3 *Power of Attorney and Undertaking Letters*

Each of the HZ PRC Equity Owners and the HZ WFOE entered into the power of attorney and undertaking letter on 26 October 2021, pursuant to which each of the HZ PRC Equity Owners agreed to (i) entrust the HZ WFOE (or its nominees, including the directors of its shareholders and their successors, including a liquidator replacing such directors) as the exclusive agent to exercise all of his/her rights in relation to his/her equity interest in Hangzhou Meerkat on his/her behalf, (ii) undertake, among other things, that he or she will neither, directly or indirectly (either on its own or through any other individual or legal entity), participate or engage in any business which is or may be in competition with the business of Hangzhou Meerkat or its associated company, or acquire or hold any such business, nor carry on any activities which may lead to any material conflict of interest between himself or herself and the HZ WFOE, (iii) undertake that if he/she receives any dividends, interest, any other forms of capital distributions, residual assets upon liquidation, or proceeds or consideration from the transfer of equity interest as a result of, or in connection with, his/her equity interest in Hangzhou Meerkat, he/she shall, to the extent permitted by applicable laws, remit all such monies or assets (after deducting all taxes and expenses required by the law) to the HZ WFOE or the entity designated by the HZ WFOE without any compensation; and (iv) undertake and warrant that the validity of the power of attorney and undertaking letter shall not be affected by the death, bankruptcy or divorce of any of the HZ PRC Equity Owners and shall remain valid against any assignees or successors of him/her; and that the successor, guardian, creditor, or spouse of any of the HZ PRC Equity Owners who may be entitled to his/her interests and rights in Hangzhou Meerkat in the event of his/her death, incapacity, bankruptcy, divorce or in the event that the exercise of his/her shareholder rights in Hangzhou Meerkat may be affected, will not perform any actions that may affect or hinder the performance of obligations on the part of such HZ PRC Equity Owner under the HZ VIE Contractual Arrangements.

1.3.4 *Equity Pledge Agreements*

The HZ WFOE, each of the HZ PRC Equity Owners and Hangzhou Meerkat entered into the equity pledge agreement on 26 October 2021, pursuant to which each of the HZ PRC Equity Owners agreed to pledge all of his/her equity interest in Hangzhou Meerkat to the HZ WFOE as security for the performance of the HZ VIE Contractual Arrangements.

1.3.5 *Spousal Consent Letters*

The spouse of each HZ PRC Equity Owners agreed that all the equity interest held by the relevant HZ PRC Equity Owner in Hangzhou Meerkat and all the benefits generated from these equity interest do not form part of his or her matrimonial property and he/she as the spouse has no rights thereto.

1.4 *Revenue and assets subject to the HZ VIE Contractual Arrangements*

The consolidated revenue of Hangzhou Meerkat and its subsidiaries subject to the HZ VIE Contractual Arrangements for the year ended 31 December 2023 amounted to HK$1,899,000, being 0.14% of the Group's total revenue. The consolidated total assets of Hangzhou Meerkat and its subsidiaries subject to the HZ VIE Contractual Arrangements as at 31 December 2023 amounted to approximately HK$1,769,000, being 0.33% of the Group's total assets.

2. Contractual Arrangements ("PT VIE Contractual Arrangements") in respect of Pingtan Xinban Clinic Co., Ltd. (平潭心伴門診部有限公司) ("Pingtan Xinban") and its subsidiaries (together with Pingtan Xinban, the "Pingtan Xinban Group")

2.1 *Particulars of Pingtan Xinban and its registered owners*

Pingtan Xinban is a company established under the laws of the PRC with limited liability. Prior to 20 December 2021, Pingtan Xinban was owned as to 51%, 21.9%, 21%, 0.1% and 6% by Prowess Investment Limited ("PIL") (a wholly-owned subsidiary of the Company), Mr. WANG Jian, Ms. SHANG Jing, Mr. LIN Jincong and Xi'an Yizhinuo Enterprise Management Partnership (Limited Partnership) (西安醫智諾企業管理合夥企業(有限合夥)) ("Employees Shareholding Platform") respectively. On 20 December 2021, the Group implemented a restructuring involving the Pingtan Xinban Group as detailed in the announcement of the Company dated 20 December 2021. Upon completion of the restructuring, Ms. HAN Lihui (together with Mr. WANG Jian, Ms. SHANG Jing, Mr. LIN Jincong and the Employees Shareholding Platform, the "PT PRC Equity Owners") became the registered shareholder of 51% equity interests in Pingtan Xinban, with the shareholdings of other shareholders of Pingtan Xinban remaining unchanged. On 20 December 2021, control documents were entered into between Beijing Tenghai Boye Health Technology Co., Ltd. (北京騰海博業健康科技有限公司) (a company incorporated in the PRC which is a wholly-owned subsidiary of the Company) (the "PT WFOE") and Pingtan Xinban, Shaanxi Yizhinuo Information Technology Company Limited (陝西醫智諾信息科技有限公司) ("YZN") (a then wholly-owned subsidiary of Pingtan Xinban) and/or the PT PRC Equity Owners to allow the PT WFOE to contractually control 100% equity interests and the management of Pingtan Xinban.

Mr. WANG Jian (being one of the founders of Pingtan Xinban) was a shareholder and a director of Pingtan Xinban. Ms. SHANG Jing (also being one of the founders of Pingtan Xinban) was a shareholder and a director of Pingtan Xinban. Please refer to the section "Biographical Details of Directors and Senior Management" for biographies about Mr. WANG Jian and Ms. SHANG Jing. Mr. LIN Jincong was one of the founders of Pingtan Xinban. Mr. LIN Jincong, another then shareholder of Pingtan Xinban did not act as a director of and was not involved in the management of the Pingtan Xinban Group or the PT WFOE. The Employees Shareholding Platform was principally engaged in holding of equity interests in of YZN on behalf of the key management of YZN and subsequently held equity interest in Pingtan Xinban when YZN became a wholly-owned subsidiary of Pingtan Xinban. Ms. HAN Lihui was a former employee of the Group in the PRC during 2011 to 2020. Ms. HAN Lihui was not a director of and was not involved in the management of the Pingtan Xinban Group or the PT WFOE.

2.2 *Description of the principal businesses of the Pingtan Xinban Group and their significance to the Group*

Pingtan Xinban operates a clinic at Fujian province in the PRC. YZN together with other members of the Pingtan Xinban Group are principally engaged in the provision of digitized operation services in healthcare industry (the "Pingtan Xinban Principal Businesses"). Please refer to the section "Management Discussion and Analysis" for details.

Key financial indicators of the Pingtan Xinban Group are set out in paragraph 2.4 below.

2.3 *Summary of the major terms of the underlying contracts of the PT VIE Contractual Arrangements*

2.3.1 *Exclusive Business Cooperation Agreements*

The PT WFOE and each of Pingtan Xinban and YZN entered into the exclusive business cooperation agreement on 20 December 2021, pursuant to which each of Pingtan Xinban and YZN agreed to appoint the PT WFOE as its exclusive service provider to provide Pingtan Xinban or YZN (as the case may be) with comprehensive technical and business support and related consultancy services in relation to Pingtan Xinban Principal Businesses, and Pingtan Xinban and YZN agreed to pay service fees which shall be equal to the annual audited consolidated net profits after taxation of Pingtan Xinban to the PT WFOE.

2.3.2 *Exclusive Purchase Right Agreement*

The PT WFOE, the PT PRC Equity Owners and Pingtan Xinban, and the PT WFOE, Pingtan Xinban and YZN, respectively entered into the exclusive purchase right agreement on 20 December 2021, pursuant to which the PT PRC Equity Owners and Pingtan Xinban and YZN shall irrevocably grant the PT WFOE an exclusive right to purchase or nominate any entity(ies) to purchase at any time all or part of their existing and future equity interest in Pingtan Xinban or YZN (as the case may be) and all or part of the existing and future assets of Pingtan Xinban and YZN (as the case may be) respectively at the lowest price permissible under the PRC laws and regulations when permitted by the then applicable PRC laws in its sole discretion when exercising its right. The consideration to be received by the PT PRC Equity Owners and/or Pingtan Xinban and/

or YZN thereunder shall be unconditionally gifted to the PT WFOE or its designated entity to the extent permitted under applicable PRC laws.

2.3.3 *Power of Attorney and Undertaking Letters*

Each of the PT PRC Equity Owners and Pingtan Xinban and the PT WFOE entered into the power of attorney and undertaking letter on 20 December 2021, pursuant to which each of the PT PRC Equity Owners and Pingtan Xinban agreed to (i) entrust the PT WFOE (or its nominees, including the directors of its shareholders and their successors, including a liquidator replacing such directors) as the exclusive agent to exercise all of his/her/its rights in relation to his/her/its equity interest in Pingtan Xinban or YZN (as the case may be) on his/her/its behalf, (ii) undertake, among other things, that he or she or it will neither, directly or indirectly (either on its own or through any other individual or legal entity), participate or engage in any business which is or may be in competition with the business of Pingtan Xinban or YZN (as the case may be) or their respective associated company, or acquire or hold any such business, nor carry on any activities which may lead to any material conflict of interest between himself or herself or itself and the PT WFOE, (iii) undertake that if he/she/it receives any dividends, interest, any other forms of capital distributions, residual assets upon liquidation, or proceeds or consideration from the transfer of equity interest as a result of, or in connection with, his/her/its equity interest in Pingtan Xinban or YZN (as the case may be), he/she/it shall, to the extent permitted by applicable laws, remit all such monies or assets (after deducting all taxes and expenses required by the law) to the PT WFOE or the entity designated by the PT WFOE without any compensation; and (iv) undertake and warrant that the validity of the power of attorney and undertaking letter shall not be affected by the death, bankruptcy or divorce of any of the PT PRC Equity Owners or Pingtan Xinban (as the case may be) and shall remain valid against any assignees or successors of him/her/it; and that the successor, guardian, creditor, or spouse of any of the PT PRC Equity Owners or Pingtan Xinban (as the case may be) who may be entitled to his/her/its interests and rights in Pingtan Xinban or YZN (as the case may be) in the event of his/her/its death, incapacity, bankruptcy, divorce or in the event that the exercise of his/her/its shareholder rights in Pingtan Xinban or YZN (as the case may be) may be affected, will not perform any actions that may affect or hinder the performance of obligations on the part of such PT PRC Equity Owner or Pingtan Xinban (as the case may be) under the PT VIE Contractual Arrangements.

2.3.4 *Equity Pledge Agreements*

The PT WFOE, each of the PT PRC Equity Owners and Pingtan Xinban, and the PT WFOE, Pingtan Xinban and YZN, respectively entered into the equity pledge agreement on 20 December 2021, pursuant to which each of the PT PRC Equity Owners and Pingtan Xinban agreed to pledge all of his/her/its equity interest in Pingtan Xinban or YZN (as the case may be) to the PT WFOE as security for the performance of the PT VIE Contractual Arrangements.

2.3.5 *Spousal Consent Letters*

The spouse of each PT PRC Equity Owners being an individual who had a spouse as at the date of the letter agreed that all the equity interest held by the relevant PT PRC Equity Owner in Pingtan Xinban and all the benefits generated from these equity interest do not form part of his or her matrimonial property and he/she as the spouse has no rights thereto.

2.3.6 *Undertaking Letters*

Each PT PRC Equity Owners being an individual who did not have a spouse as at the date of the letter undertook that if he/she should enter into marriage during the term of the PT VIE Contractual Arrangements, he/she shall procure his/her then spouse to sign a letter in the form of the spousal consent letters as described in paragraph 2.3.5 above.

2.4 *Revenue and assets subject to the PT VIE Contractual Arrangements*

The consolidated revenue of the Pingtan Xinban Group subject to the PT VIE Contractual Arrangements for the period from 1 January 2023 to 28 June 2023, being the date of the termination of the PT VIE Contractual Arrangements (as detailed below), amounted to approximately HK$345,329,000, being 25.7% of the Group's total revenue for the year ended 31 December 2023. The consolidated total assets of the Pingtan Xinban Group subject to the PT VIE Contractual Arrangements as at 28 June 2023, being the date of the termination of the PT VIE Contractual Arrangements, amounted to approximately HK$97,881,000, being 18.4% of the Group's total assets as at 31 December 2023.

2.5 *Material changes in the PT VIE Contractual Arrangements*

On 10 May 2023, a further restructuring of the Pingtan Xinban Group for making YZN the holding company of Pingtan Xinban and other subsidiaries of the Pingtan Xinban Group (the "Further Restructuring") was agreed by the shareholders of Pingtan Xinban to be carried out, as detailed in the announcement of the Company dated 10 May 2023. In the course of the Further Restructuring, Pingtan Xinban became owned by YZN and Mr. LIN Jincong as to 99.9005% and 0.0995% respectively, and the PT VIE Contractual Arrangements were terminated on 28 June 2023.

3. Transitional Contractual Arrangements (the "Transitional Contractual Arrangements", and together with the "HZ VIE Contractual Arrangements" and the "PT VIE Contractual Arrangements", are referred to as the "VIE Contractual Arrangements") in respect of YZN (together with its subsidiaries after the Further Restructuring, the "YZN Group")

3.1 *Particulars of YZN and its registered owners and material change in the Transitional Contractual Arrangements*

The Transitional Contractual Arrangements were entered into on 10 May 2023 among YZN, the PT WFOE and the PT PRC Equity Owners who had become the shareholders of YZN as a transitional measure under the Further Restructuring pending the dilution of the Group's percentage equity interest in the YZN to below 50%, as detailed in the announcement of the Company dated 10 May 2023. The Transitional Contractual Arrangements were subsequently terminated on 28 June 2023.

YZN is a company established under the laws of the PRC with limited liability. Immediately before the termination of the Transitional Contractual Arrangements, the PT WFOE, Ms. HAN Lihui, Mr. WANG Jian, Mr. LIN Jincong, Ms. SHANG Jing and the Employee Shareholding Platform as to 50%, 1%, 18.9005%, 0.0995%, 18% and 12% respectively. Please refer to paragraph 2.1 above for the details of the PT PRC Equity Owners.

3.2 *Description of the principal businesses of the YZN Group and their significance to the Group*

The YZN Group is principally engaged in the provision of digitized operation services in healthcare industry (the "YZN Principal Businesses"). Please refer to the section "Management Discussion and Analysis" for details.

Key financial indicators of the YZN Group are set out in paragraph 3.4 below.

3.3 *Summary of the major terms of the underlying contracts of the Transitional Contractual Arrangements*

3.3.1 *Exclusive Business Cooperation Agreements*

The PT WFOE and YZN entered into the exclusive business cooperation agreement on 10 May 2023, pursuant to which YZN agreed to appoint the PT WFOE as its exclusive service provider to provide YZN with comprehensive technical and business support and related consultancy services in relation to the YZN Principal Businesses, and YZN agreed to pay service fees which shall be equal to the annual audited consolidated net profits after taxation of YZN to the PT WFOE.

3.3.2 *Exclusive Purchase Right Agreement*

The PT WFOE, the PT PRC Equity Owners and YZN entered into the exclusive purchase right agreement on 10 May 2023, pursuant to which the PT PRC Equity Owners and YZN shall irrevocably grant the PT WFOE an exclusive right to purchase or nominate any entity(ies) to purchase at any time all or part of their existing and future equity interest in YZN and all or part of the existing and future assets of YZN respectively at the lowest price permissible under the PRC laws and regulations when permitted by the then applicable PRC laws in its sole discretion when exercising its right. The consideration to be received by the PT PRC Equity Owners and/or YZN thereunder shall be unconditionally gifted to the PT WFOE or its designated entity to the extent permitted under applicable PRC laws.

3.3.3 *Power of Attorney and Undertaking Letters*

Each of the PT PRC Equity Owners and the PT WFOE entered into the power of attorney and undertaking letter on 10 May 2023, pursuant to which each of the PT PRC Equity Owners agreed to (i) entrust the PT WFOE (or its nominees, including the directors of its shareholders and their successors, including a liquidator replacing such directors) as the exclusive agent to exercise all of his/her/its rights in relation to his/her/its equity interest in YZN on his/her/its behalf, (ii) undertake, among other things, that he or she or it will neither, directly or indirectly (either on its own or through any other individual or legal entity), participate or engage in any business which is or may be in competition with the business of YZN or their respective associated company, or acquire or hold any such business, nor carry on any activities which may lead to any material conflict of interest between himself or herself or itself and the PT WFOE, (iii) undertake that if he/she/it receives any dividends, interest, any other forms of capital distributions, residual assets upon liquidation, or proceeds or consideration from the transfer of equity interest as a result of, or in connection with, his/her/its equity interest in YZN, he/she/it shall, to the extent permitted by applicable laws, remit all such monies or assets (after deducting all taxes and expenses required by the law) to the PT WFOE or the entity designated by the PT WFOE without any compensation; and (iv) undertake and warrant that the validity of the power of attorney and undertaking letter shall not be affected by the death, bankruptcy or divorce of any of the PT PRC Equity Owners and shall remain valid against any assignees or successors of him/her/it; and that the successor, guardian, creditor, or spouse of any of the PT PRC Equity Owners who may be entitled to his/her/its interests and rights in YZN in the event of his/her/its death, incapacity, bankruptcy, divorce or in the event that the exercise of his/her/its shareholder rights in YZN may be affected, will not perform any actions that may affect or hinder the performance of obligations on the part of such PT PRC Equity Owner under the Transitional Contractual Arrangements.

3.3.4 *Equity Pledge Agreements*

The PT WFOE and each of the PT PRC Equity Owners entered into the equity pledge agreement on 10 May 2023, pursuant to which each of the PT PRC Equity Owners agreed to pledge all of his/her/its equity interest in YZN to the PT WFOE as security for the performance of the Transitional Contractual Arrangements.

3.3.5 *Spousal Consent Letters*

The spouse of each PT PRC Equity Owners being an individual who had a spouse as at the date of the letter agreed that all the equity interest held by the relevant PT PRC Equity Owner in YZN and all the benefits generated from these equity interest do not form part of his or her matrimonial property and he/she as the spouse has no rights thereto.

3.3.6 *Undertaking Letters*

Each PT PRC Equity Owners being an individual who did not have a spouse as at the date of the letter undertook that if he/she should enter into marriage during the term of the Transitional Contractual Arrangements, he/she shall procure his/her then spouse to sign a letter in the form of the spousal consent letters as described in paragraph 3.3.5 above.

3.4 *Revenue and assets subject to the Transitional Contractual Arrangements*

The consolidated revenue of the YZN Group subject to the Transitional Contractual Arrangements for the period from 10 May 2023, being the date on which the Transitional Contractual Arrangements was entered into, to 28 June 2023, being the date of the termination of the Transitional Contractual Arrangements, amounted to approximately HK$136,947,000, being approximately 10.2% of the Group's total revenue for the year ended 31 December 2023. The consolidated total assets of the YZN Group subject to the Transitional Contractual Arrangements as at 28 June 2023, being the date of the termination of the Transitional Contractual Arrangements, amounted to approximately HK$97,881,000, being approximately 18.4% of the Group's total assets as at 31 December 2023.

3.5 *Material changes in the Transitional Contractual Arrangements*

On 28 June 2023, the Group's registered percentage equity interest in YZN had been diluted to below 50% in line with the completion of the Further Restructuring. As the relevant restrictions on ownership of YZN by foreign investors that led to the adoption of the Transitional Contractual Arrangements had been removed, the Transitional Contractual Arrangement were terminated on 28 June 2023.

4. Laws and regulations relating to the Hangzhou Meerkat Principal Businesses, the Pingtan Xinban Principal Businesses and the YZN Principal Businesses (collectively, the "Principal Businesses") in the PRC and reasons for adopting the VIE Contractual Arrangements

According to the relevant regulations including the Telecommunication Regulations of the PRC (《中華人民共和國電信條例》), the Classification Catalogue of Telecommunications Services (《電信業務分類目錄》) and the E-commerce Law (《電子商務法》) of the PRC, the business activities of selling goods or providing services to users through the Internet are regarded as e-commerce, the business of using data and transaction processing application platform connecting to the Internet and providing users with online data processing and transaction processing via the Internet constitutes business of "online data processing and transaction processing (operational e-commerce)"; and the charging of fees through the collection, development and processing of information and development of information platform and provision of information via the Internet constitute "Internet information service business operating for profit (other than App store)". Accordingly, the Principal Businesses involve (1) online data processing and transaction processing (operational e-commerce) businesses (being the "Principal Businesses 1") and (2) Internet information service businesses operating for profit (other than App store) (being the "Principal Businesses 2"). These businesses are carried out concurrently and are inalienable.

According to the Foreign Investment Law of the PRC (the "Foreign Investment Law"), the State adopts the management systems of pre-establishment national treatment and negative list for foreign investment. Foreign investors shall not invest in any field forbidden by the negative list for access of foreign investment. For any field restricted by the negative list for access of foreign investment, foreign investors shall conform to the investment conditions provided in the negative list.

In respect of the Principal Businesses 1, according to the relevant law and regulations as stipulated in the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021) (Order No. 47 of the National Development and Reform Commission and the Ministry of Commerce) (《外商投資准入特別管理措施(負面清單)(2021年版)》(國家發展和改革委員會、商務部令第47號)) (the "Negative List"), Notice of the Ministry of Industry and Information Technology on Removing the Restrictions on Foreign Equity Ratios in Online Data Processing and Transaction Processing (Operating E-commerce) Business (No. 196 [2015] of the Ministry of Industry and Information Technology) (工業和信息化部關於放開在線數據處理與交易處理業務(經營類電子商務)外資股比限制的通告(工信部通信[2015]196號)) and the Notice of the Ministry of Industry and Information Technology on Issues Concerning Hong Kong and Macao Service Providers Carrying out Telecommunications Services in the Mainland" (No. 222[2016]of the Ministry of Industry and Information Technology) (《工業和信息化部關於港澳服務提供者在內地開展電信業務有關問題的通告》(工信部通信[2016]222號)) (collectively the "Notices"), the setting up of joint ventures in the PRC by foreign investors (including Hong Kong and Macau service providers) to provide the business of value-added telecommunications of online data processing and transaction processing businesses (operational e-commerce) is not subject to any shareholding restriction.

In respect of the Principal Businesses 2, according to the Notices, foreign investors (including Hong Kong and Macau service providers) may set up joint ventures in the PRC to provide Internet information service businesses operating for profit (other than App store) but are restricted to hold no more than 50% equity interest.

In addition, at the time of the entering into of the HZ VIE Contractual Arrangements and the PT VIE Contractual Arrangements, according to the Regulations on the Administration of Foreign-invested Telecommunications Enterprises (Revised in 2016) (Order No. 666 of the State Council of the PRC) (《外商投資電信企業管理規定(2016年修訂)》(中華人民共和國國務院令第666號)), a foreign investor who invests in a value-added telecommunications services company shall have a good track record and operational experience in providing value-added telecommunications business (the "Qualification Requirement") in the PRC. There were no clear rules, measures, procedures, guidance or reference standard issued by PRC regulatory authority on the Qualification Requirement. In practice, the relevant authority would verify whether such foreign investor has previously been engaged in telecommunications business outside the PRC, or whether such foreign investor has previously held any equity interest in the PRC enterprises engaged in the telecommunications business. The Group did not have any actual engagement in telecommunications business outside the PRC, and also had not held any equity interest in the PRC enterprises engaged in the telecommunications business other than Hangzhou Meerkat and Pingtan Xinban/YZN. Therefore, the Company directly or indirectly holding equity interest in Hangzhou Meerkat, Pingtan Xinban/YZN would make it very difficult and uncertain for Hangzhou Meerkat or Pingtan Xinban/YZN to continue to hold or renew the relevant licence to carry on the value-added telecommunications business, and the time and the prolonged process of application with unknown results would incur extra costs for the Company.

In view of the above, in the absence of clear guidance to determine whether the Company met the Qualification Requirement and in view of the Group's lack of the relevant qualification, the Company could not directly or indirectly hold any equity interest in Hangzhou Meerkat Group or the Pingtan Xinban Group despite its intention to own more than 50% equity interest in such entities.

The Company was advised in 2023 that the Qualification Requirement had ceased to apply. Accordingly, under the Transitional Contractual Arrangements, the Group could hold equity interest in YZN of up to 50%.

In order to comply with the relevant PRC laws and regulations while achieving the commercial intention of the parties, the VIE Contractual Arrangements were entered into, through which the HZ WFOE and the PT WFOE would have effective control over the finance and operations of Hangzhou Meerkat Group, the Pingtan

Xinban Group and thereafter the YZN Group respectively and could enjoy the entire economic interests and benefits generated by such entities despite the lack of registered equity ownership.

5. Risks associated with the VIE Contractual Arrangements

The Group is exposed to certain risks under the VIE Contractual Arrangements, which are summarized below.

(a) There is no assurance that the VIE Contractual Arrangements could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the VIE Contractual Arrangements do not comply with applicable regulations.

(b) The VIE Contractual Arrangements may not be as effective as direct ownership in providing control over Hangzhou Meerkat Group, the Pingtan Xinban Group or the YZN Group.

(c) The HZ PRC Equity Owners or the PT PRC Equity Owners may potentially have a conflict of interests with the Group.

(d) The VIE Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed.

(e) The Group may bear economic risks as the primary beneficiary of the Hangzhou Meerkat Group, the Pingtan Xinban Group and the YZN Group which may arise from difficulties in their operation.

(f) There may be limitations in acquiring ownership in the equity interest of Hangzhou Meerkat, Pingtan Xinban or YZN.

(g) Certain terms of the VIE Contractual Arrangements may not be enforceable under the PRC laws, such as the dispute resolution mechanism.

(h) The Company does not have any insurance which covers the risks relating to the VIE Contractual Arrangements and the transactions contemplated thereunder.

6. Internal control measures implemented by the Group to mitigate the risks

The VIE Contractual Arrangements contain certain provisions in order to exercise effective control over and to safeguard the assets of Hangzhou Meerkat, Pingtan Xinban and YZN. In addition to the internal control measures as provided in the VIE Contractual Arrangements, the Company has implemented, through the HZ WFOE and the PT WFOE, the following internal control measures against Hangzhou Meerkat, Pingtan Xinban and YZN (as the case may be) as appropriate:

Management controls

(a) the Group is entitled to appoint the majority of the members of the board of directors (the "Representatives") of Hangzhou Meerkat, Pingtan Xinban and YZN (each the "OPCO") respectively. The Representatives are required to conduct regular reviews on the operations of the OPCO and shall submit the semi-annual reviews to the Board. The Representatives are also required to check the authenticity of the monthly management accounts of the OPCO;

(b) the Representatives shall be actively involved in various aspects of the daily managerial and operational activities of the OPCO;

(c) the Representatives shall report any major events of the OPCO to the senior management of the Company, who must in turn report to the Board;

(d) the senior management of the Company shall conduct regular site visits and personnel interviews regarding the OPCO, and shall report to the Board on a regular basis; and

(e) all incorporation documents, all other legal documents and all seals and chops of the OPCO shall be delivered to the HZ WFOE or the PT WFOE (as the case may be) upon request.

Financial controls

(a) the finance department of the Company, led by the Chief Financial Officer (the "CFO"), shall collect monthly management accounts, bank statements and cash balances and major operational data of the OPCO for review. Upon discovery of any suspicious matters, the CFO shall report to the Board;

(b) if the OPCO has delayed in the payment of the services fees requested by the HZ WFOE or the PT WFOE (as the case may be), the CFO must meet with the shareholder(s) of the OPCO to investigate, and should report any suspicious matters to the Board. In extreme cases, the registered shareholder(s) of the OPCO will be removed and replaced;

(c) the OPCO must submit copies of latest bank statements for every bank accounts of the OPCO within 15 days after the end of each month; and

(d) the OPCO must assist and facilitate the Company to conduct on-site internal audit.

Legal review

(a) the senior management of the Company shall consult the Company's PRC legal adviser from time to time to check if there are any legal developments in the PRC affecting the arrangement contemplated under the VIE Contractual Arrangements, and determine if any modification or amendment are required to be made;

(b) as part of the internal control measures, major issues arising from implementation and performance of the VIE Contractual Arrangements shall be reviewed by the Board on a regular basis which will be no less frequent than twice a year. The Board shall determine, as part of its periodic review process, whether legal advisors and/or other professionals would need to be retained to assist the Group to deal with specific issues arising from the VIE Contractual Arrangements;

(c) matters relating to compliance and regulatory enquiries from governmental authorities, if any, shall be discussed by the Board on a regular basis which shall be no less frequent than twice a year; and

(d) the relevant business units and operation divisions of the Group shall report regularly, which shall be no less frequent than on a monthly basis, to the senior management of the Company on the compliance and performance conditions under the VIE Contractual Arrangements and other related matters.

7. Material change

Save for changes to the PT VIE Contractual Arrangements and the Transitional VIE Contractual Arrangements in connection with the Further Restructuring as disclosed above, there was no material change of the VIE Contractual Arrangements during the year ended 31 December 2023.

8. Unwinding of the VIE Contractual Arrangements

As disclosed above in relation to the Further Restructuring, both of the PT VIE Contractual Arrangements and the Transitional Contractual Arrangements had been terminated on 28 June 2023.

For the year ended 31 December 2023 and as at the date of this Annual Report, there had been no unwinding of the HZ VIE Contractual Arrangements or failure to unwind when the restrictions that led to the adoption of the HZ VIE Contractual Arrangements are removed, as the relevant restrictions on ownership by foreign investors that led to the adoption of the HZ VIE Contractual Arrangements had not been removed.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, details of the Company's continuing connected transactions during the year are as follows:

HZ VIE Contractual Arrangements

On 26 October 2021, a set of control documents were entered into between the HZ WFOE and Hangzhou Meerkat and/or the HZ PRC Equity Owners to allow the HZ WFOE to contractually control 100% equity interests and the management of Hangzhou Meerkat.

As a result of the HZ Investment Framework Agreement and the HZ VIE Contractual Arrangements, Ms. DONG Yu has become a substantial shareholder and a director of two subsidiaries of the Company, and Mr. YANG Aiwu has become a substantial shareholder of a subsidiary of the Company. Therefore, each of Ms. DONG Yu and Mr. YANG Aiwu is a connected person of the Company at subsidiary level, and the transactions contemplated under the HZ VIE Contractual Arrangements constitute continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements but are exempt from the circular, independent financial adviser and shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

Please refer to details set out in the sub-section above titled "Contractual Arrangements in respect of Hangzhou Meerkat Health Technology Co., Ltd. (杭州獴哥健康科技有限公司)" under the section above titled "INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS" and the announcement of the Company dated 8 October 2021.

During the year ended 31 December 2023, no service fee has been paid by Hangzhou Meerkat to the HZ WFOE under the exclusive business cooperation agreement entered into between Hangzhou Meerkat and the HZ WFOE.

PT VIE Contractual Arrangements

On 20 December 2021, the Group implemented the restructuring concerning Pingtan Xinban, where:

(a) the Company, PIL, Robust Ocean Limited ("ROL") (a wholly-owned subsidiary of the Company), the PT WFOE, Pingtan Xinban, YZN and the PT PRC Equity Owners entered into the second supplemental agreement (the "PT Second Supplemental Agreement") to the capital increase and acquisition agreement dated 7 April 2021 entered into among the Company, PIL, Pingtan Xinban, YZN and Mr. WANG Jian, Ms. SHANG Jing, Mr. LIN Jincong and Employees Shareholding Platform as supplemented by the supplemental agreement dated 17 May 2021 entered into among the same parties, pursuant to, which among other things, (i) the Company shall procure PIL to transfer 51% equity interest in the OPCO to Ms. HAN Lihui, (ii) a joint venture company to be incorporated in the Cayman Islands (the "Platform Co") shall be set up with shareholding proportions as to 51%, 21.9%, 21%, 0.1% and 6% to be held by the Company, Mr. WANG Jian, Ms. SHANG Jing, Mr. LIN Jincong (through Mr. WANG Jian) and the Employees Shareholding Platform (through Ms. SHANG Jing) respectively; (iii) the Company shall, upon the setting up of the Platform Co, transfer 100% in ROL to the Platform Co, so that ROL would become a wholly-owned subsidiary of the Platform Co, and the WFOE (a wholly-owned subsidiary of ROL incorporated under the laws of the PRC) would also become a wholly-owned subsidiary of the Platform Co. and (iv) the WFOE, the OPCO, YZN and/or the PRC Equity Owners shall enter into the PT VIE Contractual Arrangements; and

(b) a set of control documents were entered into between the PT WFOE and Pingtan Xinban, YZN and/or the PT PRC Equity Owners to allow the PT WFOE to contractually control 100% equity interests and the management of the Pingtan Xinban Group.

Since Mr. WANG Jian and Ms. SHANG Jing are both directors and substantial shareholders of Pingtan Xinban, which is a subsidiary of the Company, Mr. WANG Jian and Ms. SHANG Jing are connected persons of the Company at subsidiary level, the entering into of the Second Supplemental Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the notification and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

As each of Mr. WANG Jian and Ms. SHANG Jing is a substantial shareholder and a director of Pingtan Xinban, a subsidiary of the Company, as a result of the Second Supplemental Agreement and the PT VIE Contractual Arrangements, each of them has also become a substantial shareholder and a director of the Platform Co, a subsidiary of the Company, and Ms. HAN Lihui has become a substantial shareholder of the OPCO, each of Mr. WANG Jian, Ms. SHANG Jing and Ms. HAN Lihui is a connected person of the Company at subsidiary level, and the transactions contemplated under the PT VIE Contractual Arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the notification and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

Please refer to details set out in the sub-section above titled "Contractual Arrangements in respect of Pingtan Xinban Clinic Co., Ltd. (平潭心伴門診部有限公司)" under the section above titled "INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS" and the announcement of the Company dated 20 December 2021.

On 10 May 2023, the Further Restructuring for making YZN the holding company of Pingtan Xinban and other subsidiaries of the Pingtan Xinban Group was agreed by the shareholders of Pingtan Xinban to be carried out, as detailed in the announcement of the Company dated 10 May 2023. In the course of the Further Restructuring, Pingtan Xinban became owned by YZN and Mr. LIN Jincong as to 99.9005% and 0.0995% respectively, and the PT VIE Contractual Arrangements were terminated on 28 June 2023.

During the year ended 31 December 2023, no service fee had been paid by Pingtan Xinban/YZN to the PT WFOE under the exclusive business cooperation agreement entered into between Pingtan Xinban/YZN and the PT WFOE.

TRANSITIONAL CONTRACTUAL ARRANGEMENTS

On 10 May 2023, as a transitional measure under the Further Restructuring pending the dilution of the Group's percentage equity interest in the YZN to below 50%, a set of control documents were entered into among YZN, the PT WFOE and/or the PT PRC Equity Owners to allow the PT WFOE to contractually control 100% equity interests and the management of the YZN Group. The Transitional Contractual Arrangements were subsequently terminated on 28 June 2023 following the completion of the Further Restructuring.

Each of Mr. WANG Jian and Ms. SHANG Jing was a director and a substantial shareholder of Pingtan Xinban and had also become a substantial shareholder of YZN (both Pingtan Xinban and YZN being subsidiaries of the Company) in the implementation of the Further Restructuring, and was therefore a connected person of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Transitional Contractual Arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the notification and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirement pursuant to Rule14A.101 of the Listing Rules.

Please refer to details set out in the sub-section above titled "Transitional Contractual Arrangements in respect of YZN" under the section above titled "INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS" and the announcement of the Company dated 10 May 2023.

During the year ended 31 December 2023, no service fee had been paid by YZN to the PT WFOE under the exclusive business cooperation agreement entered into between YZN and the PT WFOE.

Grant of waiver

The Company has applied for, and the Stock Exchange has granted a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with the requirement of (i) fixing the term of the HZ VIE Contractual Arrangements and PT VIE Contractual Arrangements for a period of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules, and (ii) setting a maximum aggregate annual cap for the fees payable to the WFOE under the HZ VIE Contractual Arrangements and PT VIE Contractual Arrangements pursuant to Rule 14A.53 of the Listing Rules, subject to the conditions as set out more particularly in the announcements of the Company dated 8 October 2021 and 20 December 2021 respectively.

Annual review

Pursuant to Rule 14A.55 of the Listing Rules, all Independent Non-executive Directors have reviewed the continuing connected transactions under the HZ VIE Contractual Arrangements, the PT VIE Contractual Arrangements and the Transitional Contractual Arrangements carried out during the year ended 31 December 2023 and confirmed that such continuing connected transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant control documents governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

PwC, the auditor of the Company, has provided a letter to the Board under Rule 14A.56 of the Listing Rules, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions under the HZ VIE Contractual Arrangements, the PT VIE Contractual Arrangements and the Transitional Contractual Arrangements: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; and (iii) were not entered into, in all material respects, in accordance with the HZ VIE Contractual Arrangements, the PT VIE Contractual Arrangements and the Transitional Contractual Arrangements respectively, and the relevant control documents governing the transactions.

RELATED PARTY TRANSACTIONS

Details of the transactions carried out with related parties are set out in Note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holdings in the shares of the Company.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

INDEMNITY OF DIRECTORS

Permitted indemnity provisions (as defined in Section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company or its associated companies are currently in force. These provisions were in force during the year and remain in effect at the date of this Annual Report.

The Company has maintained directors and officers liability insurance throughout the year, which provides certain indemnities against liability incurred by directors and officers of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the required public float under the Listing Rules.

CORPORATE GOVERNANCE

A separate corporate governance report prepared by the Board on its corporate governance practices is set out on pages 13 to 20 of this Annual Report.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

OTHER CHANGES IN DIRECTORS' INFORMATION

Except the following, no other changes in Directors' information are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of 2023 Interim Report up to the date of this report.

1. Mr. CHENG Wu has resigned as an executive director and chief executive officer of China Literature Limited (Stock Code: 772) in 2023.
2. Ms. PAN Min has resigned as an independent director of Shandong Longji Machinery Co., Ltd (SZSE Stock Code: 002363) in August 2023.

On behalf of the Board

YUEN Hoi Po
Executive Director and Chief Executive Officer

Hong Kong, 26 March 2024

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the Shareholders of Huayi Tencent Entertainment Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Huayi Tencent Entertainment Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 49 to 107, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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.

The key audit matter identified in our audit is related to impairment assessment of the interest in an associate — HB Entertainment Co., Ltd. ("HB Entertainment").

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Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of the interest in an associate — HB Entertainment Co., Ltd. ("HB Entertainment")	
Refer to Note 2(b)(i), 2(b)(iii), 4 and 17(a) to the consolidated financial statements. As at 31 December 2023, the net carrying amount of the interest in an associate — HB Entertainment was HK$211,086,000 (2022: HK$218,982,000). Management performed assessment at the end of each reporting period to consider whether there was any indication that the interest in an associate may be impaired. Management determined its recoverable amount, which was measured at the higher of fair value less costs of disposal ("FVLCOD") and value in use ("VIU"). The recoverable amount was assessed by FVLCOD based on market approach, a valuation technique that uses relevant information generated by market transactions involving comparable companies, and the VIU calculations based on discounted future cash flows on a cash generating unit basis. Based on the results of the impairment assessment, no impairment was recognised for the year ended 31 December 2023. We focused on auditing the impairment assessment of the interest in an associate because the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of the interest in an associate is considered significant due to the complexity of the model and subjectivity of significant assumptions used.	The procedures performed in relation to the impairment assessment of the interest in an associate — HB Entertainment included: • We discussed with management of the Group and obtained an understanding of management's assessment process of the impairment assessment performed by management on the interest in an associate; • We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity; • We evaluated the appropriateness of the FVLCOD calculations methodology adopted by the Group's management with the involvement of our internal valuation expert, and tested the mathematical accuracy of the underlying calculations; and • We assessed the reasonableness of key assumptions used in valuation such as average enterprise value-to-revenue ratio of comparable companies, discounts for lack of marketability, significant influence premium of the associate based on our knowledge of the business and industry and market research. Based on the results of the procedures performed, we found that the key judgement and assumptions applied by management in relation to the impairment assessment of the interest in an associate — HB Entertainment were supportable by the evidence obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Ng Hiu Tung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2024

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Notes	**2023 HK$'000**	2022 HK$'000 (Restated) (Note 32)
Continuing Operations			
Revenue	5	**1,344,031**	1,581,391
Cost of sales		**(930,602)**	(1,228,345)
Gross profit		**413,429**	353,046
Other income and other gains/(losses), net	5	**(7,439)**	(8,753)
Marketing and selling expenses		**(419,683)**	(499,453)
Research and development expenses		**(29,491)**	(35,751)
Administrative expenses		**(75,860)**	(109,513)
Net reversal of/(provision for) impairment of financial assets		**4,569**	(11,388)
		(114,475)	(311,812)
Finance costs, net	7	**(3,605)**	(1,497)
Share of results of an associate	17(a)	**(1,556)**	(4,817)
Loss before taxation	8	**(119,636)**	(318,126)
Taxation	9	**69**	425
Loss for the year from continuing operations		**(119,567)**	(317,701)
Discontinued Operation			
(Loss)/profit for the year from discontinued operation	32	**(5,787)**	1,103
Loss for the year		**(125,354)**	(316,598)
Attributable to:			
Equity holders of the Company			
– continuing operations		**(91,300)**	(271,083)
– discontinued operation		**(5,787)**	1,103
		(97,087)	(269,980)
Non-controlling interest			
– continuing operations		**(28,267)**	(46,618)
		(125,354)	(316,598)
(Loss)/earnings per share attributable to the equity holders of the Company for the year		**HK Cents**	HK Cents
Basic and diluted (loss)/earnings per share	10		
– from continuing operations		**(0.67)**	(2.00)
– from discontinued operation		**(0.04)**	0.01
		(0.71)	(1.99)

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023 HK$'000**	2022 HK$'000
Loss for the year		**(125,354)**	(316,598)
Other comprehensive (loss)/income:			
Item that may be reclassified to profit or loss:			
– Currency translation differences		**(3,171)**	(11,793)
Item that may not be reclassified to profit or loss:			
– Currency translation differences		**(1,452)**	1,875
Other comprehensive loss for the year, net of tax		**(4,623)**	(9,918)
Total comprehensive loss for the year		**(129,977)**	(326,516)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(100,258)**	(281,773)
Non-controlling interest		**(29,719)**	(44,743)
		(129,977)	(326,516)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

	Notes	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	13	**5,453**	13,943
Right-of-use assets	14	**14,530**	41,732
Intangible assets	15	**2,274**	4,527
Goodwill	16	**27,203**	27,853
Interests in associates	17	**228,033**	238,575
Financial assets at fair value through profit or loss	19	**9,856**	17,110
Prepayments, deposits and other receivables	21	**45,798**	3,846
		333,147	347,586
Current assets			
Inventories	22	**4,332**	4,832
Trade and bills receivables	20	**96,436**	95,787
Prepayments, deposits and other receivables	21	**60,291**	99,585
Financial asset at fair value through profit or loss	19	**5,049**	–
Restricted cash	23	**–**	3,096
Cash and cash equivalents	24	**27,037**	38,300
		193,145	241,600
Total assets		**526,292**	589,186
Equity and liabilities			
Equity			
Equity attributable to the equity holders of the Company			
Share capital	28	**271,707**	271,707
Reserves	29	**18,486**	116,493
		290,193	388,200
Non-controlling interests		**(67,400)**	(38,275)
Total equity		**222,793**	349,925
Liabilities			
Non-current liabilities			
Lease liabilities	14	**8,150**	13,773
Long-term financial liabilities	31	**27,606**	–
Deferred income tax liabilities	9	**442**	525
		36,198	14,298
Current liabilities			
Trade payables	26	**108,115**	94,182
Other payables and accrued liabilities	27	**74,757**	78,265
Contract liabilities	27	**4,918**	8,922
Bank and other borrowings	25	**72,231**	32,740
Lease liabilities	14	**7,280**	10,854
		267,301	224,963
Total liabilities		**303,499**	239,261
Total equity and liabilities		**526,292**	589,186

The financial statements on pages 49 to 107 were approved by the Board of Directors on 26 March 2024 and were signed on its behalf.

YUEN Hoi Po	**CHENG Wu**
Director	*Director*

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Cash used in operations	30(a)	**(50,297)**	(90,092)
Interest paid	30(b)	**(1,405)**	(144)
Net cash used in operating activities		**(51,702)**	(90,236)
Cash flows from investing activities			
Interest received		**156**	1,213
Dividends received		**633**	–
Purchases of property, plant and equipment		**(21,550)**	(12,134)
Purchases of intangible assets		**(1,274)**	(1,598)
Proceeds from sales of property, plant and equipment		**1,328**	558
Net cash used in investing activities		**(20,707)**	(11,961)
Cash flow from financing activities			
Repayment of bank and other borrowings	30(b)	**(75,294)**	–
Proceeds from bank and other borrowings	30(b)	**121,091**	33,784
Capital contribution from a new investor of a subsidiary	30(b)	**26,484**	–
Principal elements of lease payments	30(b)	**(11,280)**	(44,228)
Net cash generated from/(used in) financing activities		**61,001**	(10,444)
Net decrease in cash and cash equivalents		**(11,408)**	(112,641)
Cash and cash equivalents at 1 January		**38,300**	148,552
Currency translation differences		**145**	2,389
Cash and cash equivalents at 31 December	24	**27,037**	38,300

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to equity holders of the Company					
	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2022	269,962	2,050,314	(1,664,923)	655,353	3,547	658,900
Comprehensive loss:						
– Loss for the year	–	–	(269,980)	(269,980)	(46,618)	(316,598)
Other comprehensive (loss)/income:						
Currency translation differences						
– Group	–	1,320	–	1,320	–	1,320
– Associate (Note 17)	–	(13,113)	–	(13,113)	–	(13,113)
– Non-controlling Interests	–	–	–	–	1,875	1,875
Total comprehensive loss	–	(11,793)	(269,980)	(281,773)	(44,743)	(326,516)
Contribution by and distribution to owners of the Company recognized directly in equity:						
– Vested share awards	1,250	(1,250)	–	–	–	–
– Share-based compensation	–	14,620	–	14,620	2,921	17,541
– Acquisition of subsidiaries	495	(495)	–	–	–	–
Balance at 31 December 2022	271,707	2,051,396	(1,934,903)	388,200	(38,275)	349,925

	Attributable to equity holders of the Company					
	Share capital HK$'000	**Other reserves HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total HK$'000**
Balance at 1 January 2023	**271,707**	**2,051,396**	**(1,934,903)**	**388,200**	**(38,275)**	**349,925**
Comprehensive loss:						
– Loss for the year	**–**	**–**	**(97,087)**	**(97,087)**	**(28,267)**	**(125,354)**
Other comprehensive (loss)/income:						
Currency translation differences						
– Group	**–**	**2,536**	**–**	**2,536**	**–**	**2,536**
– Associate (Note 17)	**–**	**(5,707)**	**–**	**(5,707)**	**–**	**(5,707)**
– Non-controlling Interests	**–**	**–**	**–**	**–**	**(1,452)**	**(1,452)**
Total comprehensive loss	**–**	**(3,171)**	**(97,087)**	**(100,258)**	**(29,719)**	**(129,977)**
Contribution by and distribution to owners of the Company recognized directly in equity:						
– Share-based compensation	**–**	**2,251**	**–**	**2,251**	**594**	**2,845**
Total contribution by and distribution to owners	**–**	**2,251**	**–**	**2,251**	**594**	**2,845**
Balance at 31 December 2023	**271,707**	**2,050,476**	**(2,031,990)**	**290,193**	**(67,400)**	**222,793**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

Huayi Tencent Entertainment Company Limited (the "Company") and its subsidiaries (together, the "Group") is principally engaged in (i) digitized operation services in healthcare industry (formerly known as online prescription, circulation and marketing of pharmaceutical products) ("Echartnow"); (ii) smart healthcare services platform ("Meerkat Health"); and (iii) entertainment and media business. Following the termination of the Club Lease Agreement as detailed in Note 32, the operation of provision of healthcare and wellness services is discontinued.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 May 2002 under the Company Law (2002 Revision) (Cap. 22) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousand Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2024.

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES

This note provides a basis of preparation and summary of accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Huayi Tencent Entertainment Company Limited and its subsidiaries.

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and interest in an associate — Deep Sea Health Limited which are carried at fair values.

For the year ended 31 December 2023, the Group recorded a loss of approximately HK$125,354,000 (2022: HK$316,598,000) and operating cash outflow of HK$51,702,000 (2022: HK$90,236,000). As at 31 December 2023, the Group had net current liabilities of approximately HK$74,156,000 (2022: net current assets of HK$16,637,000) while the cash and bank balance was HK$27,037,000.

In view of such circumstances, the directors of the Company have taken measures to mitigate the liquidity pressure to improve the financial position that in March 2024, the Company completed the issuance of 10% convertible bonds due 2026 with an aggregate principal amount of HK$120,000,000 and the corresponding funding has also been received in the same month.

The directors of the Company have reviewed the Group's cash flow projections covering a period of not less than 12 months from 31 December 2023, and are of the opinion that, considering the anticipated cash flows generated from the Group's operations taking into account of reasonably possible changes in operating performance, all other financing that could reasonably be expected as well as the above measure, the Group will have sufficient working capital to fulfil its financial obligations in the next twelve months from 31 December 2023. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The preparation of these consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statement are disclosed in Note 4.

(i) *Amended standards adopted by the Group*

The Group has applied the following amended standards for the first time for their annual reporting period commencing 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17	Amendments to HKFRS 17
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9-Comparative Information

These standards did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

(ii) *New standards, interpretations and amendments not yet adopted by the Group*

A number of new standards, interpretations and amendments to existing standards that have been issued but are not yet effective and have not been early adopted by the Group in preparing these consolidated financial statements.

		Effective for annual periods beginning on
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, management does not anticipate any significant impact on the Group's financial positions and results of operations.

(iii) *Change in accounting policy on offsetting arrangement in long service payment in Hong Kong*

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which will be effective from 1 May 2025 (the "Transition Date"). Under the Amendment Ordinance, any accrued benefits attributable to the employer's mandatory contributions under mandatory provident fund scheme ("MPF Benefits") of an entity would no longer be eligible to offset against its obligations on long service payment ("LSP") for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in HKAS 19 paragraph 93(b) (the "practical expedient") to account for the offsetable MPF Benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" (the "Guidance") which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a 'simple type of contributory plans' to which the practical expedient had been intended to apply.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a).

This change in accounting policy upon the cessation in applying the practical expedient has resulted in a catch-up adjustment for past service costs and a corresponding increase in the Group's LSP obligations in the year of enactment of the Amendment Ordinance (i.e. year ended 31 December 2022). The adjustment is recognised as past service costs in profit or loss for the year ended 31 December 2022 as the Amendment Ordinance is not contemplated in the original LSP legislation.

The abovementioned change in accounting policy does not have any material impact to these consolidated financial statements.

(b) Material accounting policies

(i) *Group accounting*

(1) *Consolidation*

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(2) *Subsidiaries*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the Group's accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet, respectively.

(3) *Business combinations and goodwill*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

(4) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(5) *Associates*

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interests in associates are recognized in the consolidated income statement.

The Group has applied the measurement exemption within HKAS 28 "Investments in Associates and Joint Ventures", when an investment in an associate is held by, or is held indirectly through, a venture capital organization, or a mutual fund, unit trust and similar entities, the Group elects to measure investment in the associate at fair value through profit or loss since the Group decides such investment has the characteristics of a venture capital investment.

(6) *Joint arrangements*

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint operations.

Joint operations arise where the investors have joint control and their direct rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets and liabilities. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

(7) *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-marker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management committee, which comprises the chief executive officer and the chief financial officer of the Group, that makes strategic decisions.

(8) *Discontinued operation*

A discontinued operation is a component of the entity that has been disposed of, closed, abandoned, terminated or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

(ii) *Foreign currency translation*

(1) *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"). As the Company is listed on the Main Board of the Stock Exchanges of Hong Kong Limited, the directors consider that it will be more appropriate to adopt Hong Kong dollar ("HK$") as the Group's and the Company's presentation currency. Accordingly, the consolidated financial statements are presented in HK$.

(2) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance costs, net". All other foreign exchange gains and losses are presented in the consolidated income statement within "other income and other gains/ (losses), net".

Non-monetary items that are measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(3) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement and statement of comprehensive income 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 rate on the dates of the transactions); and

(c) all resulting exchange differences are recognized in other comprehensive income.

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. Exchange differences arising are recognized in other comprehensive income.

(4) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interests in associates or joint ventures that result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(iii) *Impairment of non-financial assets*

Non-financial assets that have an indefinite useful life or non-financial assets not ready to use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(iv) *Financial assets*

(1) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(2) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(3) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated income statement.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into following category:

Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in interest revenue, other income and finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the consolidated income statement.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement. Dividends from such investments continue to be recognized in the consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in "other income and other gains/(losses), net" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

(4) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other financial assets at amortized cost is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

(v) *Financial liabilities*

(1) *Initial recognition and measurement*

Financial liabilities of the Group are classified, at initial recognition, at amortized cost, net of directly attributable transaction costs.

(2) *Subsequent measurement*

After initial recognition, financial liabilities are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the effective interest rate amortisation process.

(3) *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

(vi) *Revenue recognition:*

Revenue is measured at the fair value of consideration received or receivable for the sale of goods or services rendered in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the control of goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time and when specific criteria have been met for each of the Group's activities as described below.

The Group reports revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in a transaction. The Group is a principal if it controls the specified product or service before that product or service is transferred to a customer or it has a right to direct others to provide the product or service to the customer on the Group's behalf. Indicators that the Group is a principal include, but are not limited to, whether the Group (i) is primarily responsible for fulfilling the promise to provide the specified good or service; (ii) has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; (iii) has discretion in establishing the price for the specified good or service, etc.

Digitized operation services in healthcare industry

(1) *Provision of Digitized operation services*

The Group agrees the sales price for each service with the customers upfront and bills to the customers based on the actual service rendered and completed. Revenue is generally recognized at a point in time when the services are rendered and accepted by the customers.

Smart healthcare services platform

(1) *Revenue from sales of pharmaceutical and healthcare products*

The Group is engaged in the sale of pharmaceutical and healthcare products to individual customers and to merchant customers. Revenue from the sale of pharmaceutical and healthcare products is recorded net of discounts and recognized when the goods are delivered to customers by third party couriers.

(2) *Provision of healthcare service*

The Group provides a variety of standardized service packages that integrate services provided by various medical and healthcare organizations to meet the health-related needs of the users, such as health check-ups and vaccine inoculation. The Group principally generates revenue from provision of healthcare services to individual customers. Revenue is recognized upon the individual service is rendered to customers.

Entertainment and media

(1) *Revenue from film exhibition*

Revenue from film exhibition is recognized when the film is shown and the right to receive payment is established.

(2) *Revenue from license fee and sub-licensing of film and TV programmes rights*

Revenue from license fee and sub-licensing of film and TV programmes rights is recognized at a point in time when the control of film and TV programme rights is licensed to the customers so that the customers can direct the use and obtain associated benefit.

(c) Other accounting policies

(i) *Property, plant and equipment*

Property, plant and equipment, comprising plant, equipment and other assets are stated at historical cost less accumulated depreciation and impairment losses, if any. 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 recognized 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed in the consolidated income statement during the reporting period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	shorter of 5 years or lease term
Furniture, computer and equipment	3–5 years
Machinery and equipment	3–10 years
Motor vehicles	4–5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(b)(iii)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized in the consolidated income statement.

(ii) *Intangible assets (other than goodwill)*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

(iii) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of group entities or counterparty.

(iv) *Inventories*

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(v) *Cash and cash equivalents*

In the consolidated cash flow statement, cash and cash equivalents include cash on hand and deposits held at call with banks.

(vi) *Share capital*

Ordinary shares and preference shares are classified as equity.

Preference shares are classified as equity as there is no contractual right to convert the preference shares to any outflow of liability on the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(vii) *Borrowings*

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

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.

(viii) *Current and deferred income tax*

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to item recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(1) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(2) *Deferred income tax*

Inside basis difference

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(3) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(ix) *Provisions*

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(x) *Interest income and interest revenue*

Interest income is recognized on a time proportion basis using the effective interest method.

Interest revenue from programmes and films production in progress is recognized on a time proportion basis using the effective interest method and reported under "Entertainment and Media" segment.

(xi) *Share-based payments*

The Company operates share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(xii) *Employee benefits*

(1) *Retirement benefit costs*

The Group operates a defined contribution retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all those employees who are eligible to participate in the Scheme. The Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they became payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independent administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

The Company's subsidiaries in the People's Republic of China (the "PRC") are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement benefits scheme contributions, which are based on a certain percentage of the salaries of the subsidiaries' employees, are charged to the consolidated income statement in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

For both retirement benefits schemes, the Group has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payment is available.

(2) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to terminate the employment of current employees without possibility of withdrawal. In case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(3) *Profit-sharing and bonus plans*

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(4) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognized 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 balance sheet date.

Employee entitlements to sick leave, maternity and other non-accumulating compensated absences are not recognized until the time of leave.

(xiii) *Leases*

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, such as term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in consolidated income statement. Short term leases are leases with a lease term of 12 months or less.

(xiv) *Government grants*

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

3 FINANCIAL RISK MANAGEMENT

(i) Financial risk factors

The Group's activities expose it to a variety of financial risks: cash flow and fair value interest rate risk, credit risk, foreign exchange risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial market and seeks to minimize potential adverse effects on the Group's financial performance.

(a) *Cash flow and fair value interest rate risk*

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used. The scenarios are run only for financial assets and liabilities that represent the major floating interest-bearing positions.

Based on the simulations performed on cash balances placed with banks and bank and other borrowings carried at floating interest rate, if the interest rate increased/decreased by 60 basis-point with all other variables held constant, loss attributable to the equity holders of the Company for the year ended 31 December 2023 would increase/decrease by HK$271,000 (2022: HK$196,000).

(b) *Credit risk*

(i) *Risk Management*

Credit risk is managed on a group basis. The carrying amounts of bank balances, trade receivables, deposits and other receivables, programmes and films production in progress and financial asset at fair value through profit or loss represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies that limit the amount of credit exposure to any financial institutions. The Group has also policies in place to ensure that the sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers.

In addition, the Group reviews regularly the recoverable amount of deposits and other receivable, programme and films production in progress and financial asset at fair value through profit or loss to ensure that adequate impairment losses are made for irrecoverable amounts.

For banks and financial institutions, only rated parties with a minimum rating of 'A' are accepted.

Other than concentration of credit risk on bank balances, which are deposited with several banks with good credit ratings, the Group has concentration of credit risk as the Group's largest trade debtor accounted for 46% (2022: 29%) of the total trade receivables, and top three trade debtors constituted 68% (2022: 54%) of the total trade receivables as at 31 December 2023.

(ii) *Impairment of financial assets*

Trade receivables for sales of goods of the Group and from the provision of services are subject to the expected credit loss model. While cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group measures the expected credit losses on a combination of both individual and collective basis. Trade receivables have been grouped based on shared credit risk characteristics. Management also considers the default rates and loss given default from external rating agency report and forward-looking information that may impact the customer's ability to repay the outstanding balances.

Trade receivables are written off where 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.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

As at 31 December 2023, the balance of loss allowance in respect of these individually assessed receivables was approximately HK$8,596,000 (2022: HK$8,322,000).

The following table presents the balances of gross carrying amounts and the loss allowance in respect of trade receivables assessed on collective basis:

Internal credit rating	Average loss rate %	Gross carrying amount HK$'000	Impairment loss allowance HK$'000
As at 31 December 2022			
A3 to Aaa	0.00	4,143	–
B3 to Baa1	0.16	39,403	(65)
Caa3 to Ca	1.85	53,291	(985)
		96,837	(1,050)
As at 31 December 2023			
A3 to Aaa	0.00	**6,152**	**–**
B3 to Baa1	0.15	**89,968**	**(139)**
Caa3 to Ca	17.57	**552**	**(97)**
		96,672	**(236)**

Other financial assets at amortised cost

Expected credit losses are measured as an allowance equal to 12 months expected credit losses for stage 1 assets, or lifetime expected losses assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset 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 including changes in the payment status and operating results of the debtors and macroeconomic factors affecting the ability of the debtors to settle the receivables. The Group measures the expected credit losses on a combination of both individual and collective basis.

For the year ended 31 December 2023 and 2022, the expected credit losses of these individually assessed and collectively assessed receivables were as follows:

	2023 **HK$'000**	2022 HK$'000
Trade receivables — collective basis	**(552)**	877
Deposits and other receivables — collective basis	**(4,017)**	10,152
	(4,569)	11,029

(c) *Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions and net monetary assets and liabilities are denominated in Renminbi ("RMB"), South Korean Won ("KRW") and United States Dollars ("US$") that is not the functional currency of the relevant group entity.

The Group has not used any forward contracts, currency borrowings and other means to hedge its foreign currency exposure but manages through constant monitoring to limit as much as possible its net exposure.

As at 31 December 2023, if RMB had strengthened/weakened by 5% against HK$ with all other variables held constant, the loss for the year would decrease/increase by HK$338,000 (2022: HK$324,000), mainly as a result of foreign exchange gains/losses on translation of cash and cash equivalent and other receivables denominated in RMB and recorded in group entities with functional currency in HK$.

As at 31 December 2023, if KRW had strengthened/weakened by 5% against HK$ with all other variables held constant, the loss for the year would increase/decrease by HK$78,000 (2022: HK$241,000), mainly as a result of foreign exchange gains/losses on translation of share of results of an associate denominated in KRW and recorded in group entities with functional currency in HK$.

In respect of US$, the Group considers that minimal risk arises as the rate of exchange between HK$ and US$ is controlled within a tight range under the Hong Kong's Linked Exchange Rate System.

(d) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and bank balances.

Due to the dynamic nature of the Group's underlying businesses, the Group monitors the current and expected liquidity requirements and maintains flexibility in funding by maintaining sufficient cash and cash equivalent to meet operational needs and possible investment opportunities.

The table below analyzed the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows. Balances due within twelve months equaled their carrying balances, as the impact of discounting was not significant.

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2022						
Trade payables	–	94,182	–	–	–	94,182
Other payables and accrued liabilities	–	48,739	–	–	–	48,739
Bank and other borrowings	–	32,740	–	–	–	32,740
Lease liabilities	–	12,071	7,071	8,143	–	27,285
Total	–	187,732	7,071	8,143	–	202,946
At 31 December 2023						
Trade payables	**–**	**108,115**	**–**	**–**	**–**	**108,115**
Other payables and accrued liabilities	**–**	**59,428**	**–**	**–**	**–**	**59,428**
Bank and other borrowings	**–**	**72,231**	**–**	**–**	**–**	**72,231**
Lease liabilities	**–**	**7,797**	**4,067**	**4,493**	**–**	**16,357**
Total	**–**	**247,571**	**4,067**	**4,493**	**–**	**256,131**

(ii) Capital risk 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 debts.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings plus total lease liabilities less cash and cash equivalents and pledged bank deposits. The gearing ratio was as follows:

	2023 HK$'000	2022 HK$'000
Total lease liabilities (Note 14)	**15,430**	24,627
Bank and other borrowings	**72,231**	32,740
Less: cash and cash equivalents (Note 24)	**(27,037)**	(38,300)
Net debt	**60,624**	19,067
Total equity	**222,793**	349,925
Gearing ratio	**27.21%**	5.45%

(iii) Fair value estimation

The table below analyzes financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets that are measured at fair value:

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Assets				
At 31 December 2022				
Interest in an associate (Note 17(b))				
– Deep Sea Health Limited	–	–	19,593	19,593
Financial asset at fair value through profit or loss (Note 19)				
– Deep Sea Health Limited	–	–	2,557	2,557
– Beijing Yi Yao Liang Xin	–	–	14,553	14,553
	–	–	36,703	36,703
At 31 December 2023				
Interest in an associate (Note 17(b))				
– Deep Sea Health Limited	**–**	**–**	**16,947**	**16,947**
Financial asset at fair value through profit or loss (Note 19)				
– Deep Sea Health Limited	**–**	**–**	**5,049**	**5,049**
– Beijing Yi Yao Liang Xin	**–**	**–**	**9,856**	**9,856**
	–	**–**	**31,852**	**31,852**

The Group's finance department includes a team that performs the valuations of assets required for financial reporting purposes, including level 3 fair values. As part of the valuation process, this team reports directly to the chief financial officer.

Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available. If one ore more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value level 3 financial instrument include techniques such as discounted cash flow analysis.

There were no transfers between levels 1, 2 and 3, and no change in valuation techniques during the year (2022: same).

The following table presents the movements of the Group's assets that are in level 3 for the years ended 31 December 2022 and 2023:

	Financial asset at fair value through profit or loss – Deep Sea Health Limited (Note (ii)) HK$'000	Financial asset at fair value through profit or loss – Beijing Yi Yao Liang Xin (Note (iii)) HK$'000	Total HK$'000
As at 1 January 2022	1,428	–	1,428
Fair value gain through profit or loss	1,342	–	1,342
Addition	–	14,553	14,553
Exchange realignment	(213)	–	(213)
As at 31 December 2022	2,557	14,553	17,110
As at 1 January 2023	**2,557**	**14,553**	**17,110**
Fair value loss through profit or loss	**2,547**	**(4,521)**	**(1,974)**
Exchange realignment	**(55)**	**(176)**	**(231)**
As at 31 December 2023	**5,049**	**9,856**	**14,905**

	Interest in an associate – Deep Sea Health Limited (Note (i)) HK$'000	Total HK$'000
As at 1 January 2022	24,160	24,160
Fair value loss through profit or loss	(4,567)	(4,567)
As at 31 December 2022	19,593	19,593
As at 1 January 2023	**19,593**	**19,593**
Fair value loss through profit or loss	**(2,646)**	**(2,646)**
As at 31 December 2023	**16,947**	**16,947**

Quantitative information about fair value measurements using significant unobservable inputs (Level 3):

i. *Interest in an associate – Deep Sea Health Limited*

The Group has engaged an independent valuer to determine the fair value of the unlisted investment. The fair value as at 31 December 2023 was estimated by using the market approach (2022: same).

ii. *Financial asset at fair value through profit or loss – Deep Sea Health Limited, put option*

The Group has engaged an independent valuer to determine the fair value of the put option. The fair value was determined by Binomial Option Pricing Model with a combination of observable and unobservable inputs (2022: same).

iii. *Financial asset at fair value through profit or loss – Beijing Yi Yao Liang Xin*

The Group has engaged an independent valuer to determine the fair value of the unlisted investment as at 31 December 2023 by using the market approach. As at 31 December 2022, the Group has determined that the cost of acquisition during the year approximates fair value of the unlisted investment given the short time period in between.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and judgements will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3(i)(b).

(ii) Impairment assessment of the interest in an associate — HB Entertainment Co., Ltd. ("HB Entertainment")

The Group assesses at the end of each reporting period to consider whether there is any indication for impairment on the interest in an associate — HB Entertainment and further assesses if they have suffered any impairment, in accordance with the accounting policy stated in Note 2(b)(i)(5) and 2(b)(iii). The recoverable amount has been determined by fair value less costs of disposal of the average enterprise value-to-revenue ratio based on a pool of comparable listed companies within the same industry. The calculation requires the use of estimates.

For the year ended 31 December 2023, no provision for impairment of interest in an associate — HB Entertainment has been recognized (2022: Nil).

5 REVENUE AND OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	2023 HK$'000	2022 HK$'000 (Restated) (Note 32)
Continuing Operations:		
Revenue		
Provision of digitized operation services	**943,936**	606,218
Revenue from sales of pharmaceutical and healthcare product	**385,486**	807,511
Provision of healthcare services	**13,927**	16,698
Revenue from film exhibition and license fee	**682**	150,964
	1,344,031	1,581,391
Other income and other gains/(losses), net		
Interest income	**153**	1,181
Fair value change on financial assets at fair value through profit or loss, net	**(2,205)**	1,129
Fair value change on interest in an associate measured at fair value through profit or loss	**(2,646)**	(4,567)
Gain on disposal of subsidiaries	**174**	–
Loss on disposal of property, plant and equipment	**(846)**	–
Loss on modification of financial assets	**(4,087)**	–
Government subsidy	**2,132**	–
Waive of liabilities	**–**	288
Exchange loss, net	**(1,508)**	(8,639)
Others	**1,394**	1,855
	(7,439)	(8,753)

6 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the management committee which comprises the chief executive officer and the chief financial officer of the Group. The management committee reviews the Group's internal reporting in order to assess performance and allocate resources. The management committee has determined the operating segments based on these reports.

The management committee has determined that the Group is organized into three main operating segments from continuing operations: (i) Digitized operation services in healthcare industry (Echartnow); (ii) Smart healthcare services platform (Meerkat Health); and (iii) Entertainment and media businesses; and one operating segment from discontinued operations – Healthcare and wellness services. The management committee measures the performance of the segments based on their respective segment results. The segment results derived from loss before taxation, excluding exchange losses, net, finance costs, net and unallocated expenses, net. Unallocated expenses, net mainly comprise of corporate income net off with corporate expenses including salary, depreciation of right-of-use assets in relation to office and apartment and other administrative expenses which are not attributable to particular reportable segment.

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets which are managed on a group basis. Segment liabilities exclude income tax liabilities and other unallocated head office and corporate liabilities which are managed on a group basis.

There were no sales between the operating segments during the year ended 31 December 2023 (2022: Nil).

(a) Business segment

For the year ended 31 December 2023

	Digitized operation services in healthcare industry HK$'000	Smart healthcare services platform HK$'000	Entertainment and media HK$'000	Total Continuing operations HK$'000	Discontinued operation: Healthcare and wellness services HK$'000	Total HK$'000
Revenue	943,936	399,413	682	1,344,031	92,271	1,436,302
Share of results of an associate	–	–	(1,556)	(1,556)	–	(1,556)
Segment results	(29,546)	(45,355)	3,550	(71,351)	(5,786)	(77,137)
Exchange losses, net				(1,508)	–	(1,508)
Fair value change on financial assets at fair value through profit or loss — unallocated				(2,646)	–	(2,646)
Fair value change on interest in an associate measured at fair value through profit or loss — unallocated				(2,205)	–	(2,205)
Provision for impairment of financial assets — unallocated				(97)	–	(97)
Other unallocated expenses, net				(38,224)	–	(38,224)
				(116,031)	(5,786)	(121,817)
Finance costs, net				(3,605)	(1)	(3,606)
Loss before taxation				(119,636)	(5,787)	(125,423)
Taxation				69	–	69
Loss for the year				(119,567)	(5,787)	(125,354)
Loss for the year attributable to non-controlling interests				28,267	–	28,267
Loss for the year attributable to equity holders of the Company				(91,300)	(5,787)	(97,087)

For the year ended 31 December 2023

	Digitized operation services in healthcare industry HK$'000	Smart healthcare services platform HK$'000	Entertainment and media HK$'000	Total HK$'000
Segment assets	143,993	49,267	285,524	478,784
Unallocated assets				47,508
Total assets				526,292
Segment liabilities	148,469	41,901	–	190,370
Unallocated liabilities				113,129
Total liabilities				303,499
Other information:				
Additions of right-of-use assets	3,607	920	–	4,527
Purchases of property, plant and equipment				
– Allocated	1,631	17,101	–	18,732
– Unallocated				2,818
Purchases of intangible assets	–	1,274	–	1,274
Depreciation of right-of-use assets				
– Allocated	1,567	2,131	–	3,698
– Unallocated				6,805
Depreciation of property, plant and equipment				
– Allocated	1,019	1,959	–	2,978
– Unallocated				35
Amortization of intangible assets	–	1,869	–	1,869
Reversal of impairment of trade receivables	–	(220)	(332)	(552)
Provision for/(Reversal of) impairment of deposits and other receivables				
– Allocated	(1)	(8)	(4,105)	(4,114)
– Unallocated				97

For the year ended 31 December 2022

	Digitized operation services in healthcare industry HK$'000	Smart healthcare services platform HK$'000	Entertainment and media HK$'000	Total Continuing operations HK$'000 (Restated) (Note 32)	Discontinued operation: Healthcare and wellness services HK$'000 (Restated) (Note 32)	Total HK$'000
Revenue	606,218	824,209	150,964	1,581,391	110,670	1,692,061
Share of results of an associate	–	–	(4,817)	(4,817)	–	(4,817)
Segment results	(57,809)	(86,337)	(122,882)	(267,028)	1,374	(265,654)
Exchange losses, net				(8,639)	–	(8,639)
Fair value change on financial assets at fair value through profit or loss — unallocated				1,129	–	1,129
Fair value change on interest in an associate measured at fair value through profit or loss — unallocated				(4,567)	–	(4,567)
Provision for impairment of financial assets — unallocated				(1,032)	—	(1,032)
Other unallocated expenses, net				(36,492)	–	(36,492)
				(316,629)	1,374	(315,255)
Finance costs, net				(1,497)	(271)	(1,768)
(Loss)/profit before taxation				(318,126)	1,103	(317,023)
Taxation				425	–	425
(Loss)/profit for the year				(317,701)	1,103	(316,598)
Loss for the year attributable to non-controlling interests				46,618	–	46,618
(Loss)/profit for the year attributable to equity holders of the Company				(271,083)	1,103	(269,980)

For the year ended 31 December 2022

	Digitized operation services in healthcare industry HK$'000	Smart healthcare services platform HK$'000	Entertainment and media HK$'000	Healthcare and wellness services HK$'000 (Note 32)	Total HK$'000
Segment assets	110,056	93,435	318,912	30,701	553,104
Unallocated assets					36,082
Total assets					589,186
Segment liabilities	92,992	72,386	–	3,499	168,877
Unallocated liabilities					70,384
Total liabilities					239,261
Other information:					
Additions of right-of-use assets					
– Allocated	2,368	576	–	–	2,944
– Unallocated				–	15,528
Purchases of property, plant and equipment					
– Allocated	2,429	8,133	–	1,418	11,980
– Unallocated				–	154
Purchases of intangible assets	–	1,598	–	–	1,598
Depreciation of right-of-use assets					
– Allocated	2,359	4,098	–	22,008	28,465
– Unallocated				–	5,398
Depreciation of property, plant and equipment					
– Allocated	761	2,243	–	1,052	4,056
– Unallocated				–	89
Amortization of completed film rights	–	–	73,736	–	73,736
Amortization of intangible assets	–	1,452	–	–	1,452
Provision for impairment of completed film rights	–	–	43,565	–	43,565
Provision for impairment of trade receivables	37	278	562	–	877
Provision for/(reversal of) impairment of deposits and other receivables					
– Allocated	2	9	9,468	(359)	9,120
– Unallocated					1,032

(b) Geographical information

The geographical information for the year ended 31 December 2023 and 2022 are as follows:

	Revenue from external customers		Non-current assets[Note]	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
The PRC	**1,343,349**	1,453,564	**47,957**	82,418
Hong Kong	**–**	–	**18,450**	25,230
South Korea	**–**	–	**211,086**	218,982
Other countries	**682**	127,827	**–**	–
	1,344,031	1,581,391	**277,493**	326,630

Note: Non-current assets exclude financial assets at fair value through profit or loss, and non-current portion of deposits and other receivables.

(c) There is no individual customer who has contributed 10% or more of the total revenue of the Group for the year ended 31 December 2023. Revenue from major customers who have individually contributed 10% or more of the total revenue of the Group for the year ended 31 December 2022 are disclosed as follows:

	2022 HK$'000
Customer A	431,565
Customer B	173,461

7 FINANCE COSTS, NET

	2023 HK$'000	2022 HK$'000 (Restated) (Note 32)
Continuing Operations:		
Interest on bank and other borrowings	**1,407**	548
Interest on lease liabilities (Note 14)	**880**	949
Interest on long-term financial liabilities	**1,318**	–
Finance costs, net	**3,605**	1,497

8 LOSS BEFORE TAXATION

Loss before taxation is stated after (crediting)/charging the following:

	2023 HK$'000	2022 HK$'000 (Restated) (Note 32)
Continuing Operations:		
Film production cost	–	32,556
Film promotion and distribution fee	–	107,816
Depreciation of property, plant and equipment	3,013	3,093
Depreciation of right-of-use assets (Note 14)	10,503	11,855
Auditor's remuneration		
– Audit services	2,100	2,100
– Non-audit services	585	1,410
Expense relating to short-term leases (Note 14)	2,968	190
Provision for impairment of film rights and films production in progress	–	43,565
Net (reversal of)/provision for impairment of financial assets		
– Trade receivables (Note 20)	(552)	877
– Deposits and other receivables (Note 21)	(4,017)	10,511
Amortization of completed film rights	–	73,736
Amortization of intangible assets (Note 15)	1,869	1,452
Costs of digitized operation services in healthcare industry	559,719	270,561
Costs of inventories sold (Note 22)	361,610	796,905
Marketing and promotion expenses	376,694	334,317
Employee benefit expense:		
Directors' fees (Note 35)	*847*	*720*
Wages and salaries	*65,762*	*90,057*
Contributions to defined contribution pension schemes (Note a)	*13,680*	*17,306*
Share-based compensation expenses (Note 28)	*2,845*	*17,541*
	83,134	125,624

Note a: During the year ended 31 December 2023, no forfeited contributions were utilized by the Group to reduce its contributions for the current year (2022: Nil).

9 TAXATION

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit in Hong Kong for the year (2022: same). Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

	2023 HK$'000	2022 HK$'000
Continuing Operations:		
Current income tax		
– Hong Kong profits tax	–	–
– PRC corporate income tax	–	–
Deferred income tax credit	69	425
	69	425

The tax on the Group's loss before taxation differs from the theoretical amount that would arise using the domestic tax rates applicable to the profit or loss before taxation of the consolidated entities in the respective countries as follows:

	2023 **HK$'000**	2022 HK$'000 (Restated) (Note 32)
Loss before taxation	**(119,636)**	(318,126)
Tax calculated at domestic tax rates applicable to the profit or loss in respective countries	**(27,761)**	(62,236)
Tax effects of an associate, results reported net of tax	**258**	795
Income not subject to tax	**(116)**	(24,157)
Expenses not deductible for tax purposes	**14,416**	55,625
Tax losses not recognized	**13,134**	29,548
Taxation	**(69)**	(425)

The weighted average applicable tax rate was 23.20% (2022: 19.56%). The change in weighted average applicable tax rate was mainly caused by a change in mix of profits earned/losses incurred.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The analysis of deferred tax assets and liabilities is as follows:

	2023 **HK$'000**	2022 HK$'000
Non-current		
Deferred income tax liabilities to be recovered after more than 12 months	**(442)**	(525)

The movement on the deferred income tax account is as follows:

	2023 **HK$'000**	2022 HK$'000
At the beginning of the year	**(525)**	(1,011)
Credit to the consolidated income statement	**69**	425
Exchange differences	**14**	61
At the end of the year	**(442)**	(525)

The movement in gross deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	Unremitted earning HK$'000
At 1 January 2022	(1,011)
Credit to the consolidated income statement	425
Exchange differences	61
At 31 December 2022 and 1 January 2023	**(525)**
Credit to the consolidated income statement	**69**
Exchange differences	**14**
At 31 December 2023	**(442)**

Deferred tax assets are recognized for tax losses carry-forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. As at 31 December 2023, the Group had unrecognized tax losses of approximately HK$557,844,000 (2022: approximately HK$505,308,000) to carry forward against future taxable income, subject to agreement by the Inland Revenue Department of Hong Kong and local tax bureau of the PRC. The increase of unrecognized tax losses was mainly attributable to addition of unrecognized tax loss of the PRC subsidiaries during the year ended 31 December 2023. No deferred taxation has been recognized in respect of the tax losses due to unpredictability of future profit streams. The tax losses of the PRC subsidiaries have an expiry period of five years, while the tax losses of Hong Kong subsidiaries have no expiry date.

The Group did not recognize deferred income tax assets in respect of tax losses of approximately HK$223,273,000 (2022: approximately HK$170,737,000) which can be carried forward for 5 years and will expire in the following years:

	2023 **HK$'000**	2022 HK$'000
2024	**1,038**	1,038
2025	**—**	—
2026	**12,098**	12,098
2027	**29,548**	29,548
2028	**13,134**	—
At the end of the year	**55,818**	42,684

The remaining tax losses of approximately HK$334,571,000 (2022: approximately HK$334,571,000) can be carried forward indefinitely to offset against future taxable income.

10 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2023	2022 (Restated) (Note 32)
Weighted average number of ordinary shares in issue (thousands)	**13,585,339**	13,543,887
Loss from continuing operations attributable to equity holders of the Company (HK$'000)	**(91,300)**	(271,083)
Basic loss per share from continuing operations attributable to equity holders of the Company (HK cents per share)	**(0.67)**	(2.00)
(Loss)/profit from discontinued operations attributable to equity holders of the Company (HK$'000)	**(5,787)**	1,103
Basic (loss)/earnings per share from discontinued operations attributable to equity holders of the Company (HK cents per share)	**(0.04)**	0.01
Loss per share attributable to equity holders of the Company (HK cents per share)	**(0.71)**	(1.99)

For the year ended 31 December 2023 and 2022, diluted loss per share from continuing operations equals to basic loss per share from continuing operation as the potential ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

11 DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2023 (2022: Nil).

12 EMPLOYEE BENEFIT EXPENSE

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include no (2022: Nil) director whose emoluments are reflected in the analysis shown in Note 35(a). The emoluments payable to the five (2022: five) individuals during the year are as follows:

	2023 HK$'000	2022 HK$'000
Continuing Operations:		
Basic salaries, housing allowance, share options, other allowances and benefits in kind	**10,186**	15,562
Contributions to pension schemes	**437**	346
	10,623	15,908

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands		
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$2,500,000	**4**	2
HK$3,000,001 – HK$3,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**–**	1
HK$4,000,001 – HK$4,500,000	**–**	1
	5	5

13 PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Machinery and equipment HK$'000	Furniture, computer and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2022						
Opening net book amount	–	544	3,670	1,685	1,567	7,466
Additions	–	213	4,803	5,923	1,195	12,134
Written-off	–	(5)	(5)	–	(2)	(12)
Disposal	–	–	(554)	–	–	(554)
Depreciation (Note 8)	–	(147)	(1,527)	(1,994)	(477)	(4,145)
Exchange differences	–	(49)	(425)	(309)	(163)	(946)
Closing net book amount	–	556	5,962	5,305	2,120	13,943
At 31 December 2022						
Cost	899	3,070	10,692	9,235	7,334	31,230
Accumulated depreciation	(899)	(2,514)	(4,730)	(3,930)	(5,214)	(17,287)
Net book amount	–	556	5,962	5,305	2,120	13,943
Year ended 31 December 2023						
Opening net book amount	**–**	**556**	**5,962**	**5,305**	**2,120**	**13,943**
Additions	**–**	**203**	**17,252**	**1,198**	**2,897**	**21,550**
Written-off	**–**	**(40)**	**(166)**	**(1,932)**	**(20)**	**(2,158)**
Disposal	**–**	**–**	**(1,313)**	**–**	**(861)**	**(2,174)**
Disposal of subsidiaries	**–**	**(617)**	**(18,063)**	**(31)**	**(4,073)**	**(22,784)**
Depreciation	**–**	**(112)**	**(1,704)**	**(1,515)**	**(605)**	**(3,936)**
Exchange differences	**–**	**11**	**415**	**(60)**	**646**	**1,012**
Closing net book amount	**–**	**1**	**2,383**	**2,965**	**104**	**5,453**
At 31 December 2023						
Cost	**886**	**24**	**4,713**	**6,339**	**1,389**	**13,351**
Accumulated depreciation	**(886)**	**(23)**	**(2,330)**	**(3,374)**	**(1,285)**	**(7,898)**
Net book amount	**–**	**1**	**2,383**	**2,965**	**104**	**5,453**

Excluding those classified in profit or loss from discontinued operation of approximately HK$923,000 (2022: HK$1,052,000), depreciation expenses of approximately HK$439,000 (2022: nil), HK$2,330,000 (2022: HK$2,852,000), HK$59,000 (2022: HK$65,000) and HK$185,000 (2022: 176,000) have been charged in cost of sales, administrative expenses, marketing and selling expenses and research and development expenses respectively.

14 LEASES

(i) Amounts recognized in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2023 HK$'000	2022 HK$'000
Right-of-use assets		
Office	14,530	23,457
Apartment	–	2,185
Operating assets of "Bayhood No. 9 Club"	–	16,090
	14,530	41,732
Lease liabilities		
Current	7,280	10,854
Non-current	8,150	13,773
	15,430	24,627

Additions to the right-of-use assets (including acquisition of subsidiaries) during the year ended 31 December 2023 was HK$4,527,000 (2022: HK$18,472,000).

(ii) Amounts recognized in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Notes	2023 HK$'000	2022 HK$'000 (Restated) (Note 32)
Continuing Operations:			
Depreciation charge of right-of-use assets			
Office		8,318	9,575
Apartment		2,185	2,280
	8	10,503	11,855
Interest expense (included in finance costs)	7	880	949
Expense relating to short-term leases (included in administrative expenses)	8	2,968	190

(iii) The Group's leasing activities

The Group leased various offices and certain operating assets of "Bayhood No. 9 Club" (up and until 5 October 2023). Rental contracts are generally made for fixed periods of 6 months to 5 years, but may have extension options as described in Note 14(iv) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

(iv) Extension and termination options

Extension and termination options are included in the lease held by the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable only by the Group and not by the respective lessor.

15 INTANGIBLE ASSETS

	Licenses and softwares	
	2023	2022
	HK$'000	HK$'000
As at 1 January	**4,527**	4,793
Additions	**1,274**	1,598
Written off	**(1,578)**	–
Disposal of subsidiaries	**(14)**	–
Amortization (Note 8)	**(1,869)**	(1,452)
Exchange differences	**(66)**	(412)
As at 31 December	**2,274**	4,527
As at 31 December		
Cost	**4,817**	5,950
Accumulated amortization	**(2,543)**	(1,423)
Net carrying amount	**2,274**	4,527

Amortization expenses of approximately HK$1,746,000 (2022: HK$1,364,000) and HK$123,000 (2022: 88,000) have been charged in administrative expenses and marketing and selling expenses respectively.

See note 2(c)(ii) for the other accounting policies relevant to intangible assets, and note 2(b)(iii) for the Group's policy regarding impairments.

16 GOODWILL

	2023	2022
	HK$'000	HK$'000
Cost and net carrying amount as at 1 January	**27,853**	30,397
Exchange differences	**(650)**	(2,544)
Cost and net carrying amount as at 31 December	**27,203**	27,853

Impairment testing of goodwill

The above goodwill acquired through business combinations is allocated to the following CGU for impairment testing — Digitized operation services in healthcare industry. The recoverable amount of this CGU as at 31 December 2023 has been determined based on the post-investment valuation arising from the YZN Capital Increase in April 2023 (as detailed in note 31) less the discount rate for lack of marketability. The recoverable amount of this CGU as at 31 December 2022 has been determined by fair value less costs of disposal calculation using discounted cash flow projections based on financial budgets covering a five-year period with the assistance of an independent valuer. The compound annual revenue growth rate is 28.91%. The discount rate applied to the cash flow projections is 22.7%. The discount rate for lack of marketability is 40%. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%, which approximates the long-term average growth rate of the internet healthcare services in the PRC.

There is no impairment required on goodwill as at 31 December 2023 and 2022. A reasonable change in assumptions would not result in impairment, therefore disclosure of sensitivity analysis is not considered necessary.

17 INTERESTS IN ASSOCIATES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Interest in an associate accounted for using the equity method		
– Interest in HB Entertainment Co., Ltd.	**211,086**	218,982
Interest in an associate measured at fair value through profit or loss		
– Interest in Deep Sea Health Limited	**16,947**	19,593
	228,033	238,575

Set out below are the associates of the Group as at 31 December 2023 which, in the opinion of the directors, are material to the Group. These associates are private companies and there is no quoted market price available for their shares. There are no contingent liabilities relating to the Group's interests in associates, and there are no contingent liabilities of the associates themselves.

Details of interests in associates as at 31 December 2023 and 2022 are as follows:

Name	Place of establishment and kind of legal entity	% of ownership interest		Principal activities and place of operation
		2023	2022	
HB Entertainment Co., Ltd. ("HB Entertainment")	South Korea, limited liability company	**31%**	31%	Production of and investments in movies and TV drama series, provision of entertainer/artist management and agency services in South Korea
Deep Sea Health Limited ("DSH")	Hong Kong, limited company	**22%**	22%	Investment holding

(a) HB Entertainment Co., Ltd.

Summarized financial information

Set out below is the summarized financial information of HB Entertainment. The entity is accounted for using the equity method.

Summarized balance sheet

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Current		
Cash and cash equivalents	**23,131**	65,980
Other current assets (excluding cash)	**47,727**	66,620
Total current assets	**70,858**	132,600
Current financial liabilities (excluding trade payables)	**(69,736)**	(123,714)
Other current financial liabilities	**(35,429)**	(70,896)
Total current liabilities	**(105,165)**	(194,610)
Non-current		
Total non-current assets	**197,782**	240,055
Total non-current liabilities	**(13,180)**	(14,250)
Net assets	**150,295**	163,795
Non-controlling interests	**14,439**	12,983
Net assets attributable to the equity holders	**164,734**	176,778

Summarized statement of comprehensive income

	2023	2022
	HK$'000	HK$'000
Revenue	**245,352**	33,283
Loss before taxation	**(7,440)**	(18,532)
Taxation	**501**	842
Loss after taxation	**(6,939)**	(17,690)
Other comprehensive loss	**(3,048)**	(9,407)
Total comprehensive loss	**(9,987)**	(27,097)

The information above reflects the amounts presented in the financial statements of the associate and not the Group's share of those amounts. They have been amended to reflect adjustments (if any) made by the entity when using the equity method.

Movements of interest in HB Entertainment are as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	218,982	236,912
Share of results	(1,556)	(4,817)
Share of dividend distribution	(633)	–
Exchange differences	(5,707)	(13,113)
At 31 December	211,086	218,982

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its interest in HB Entertainment

	2023 HK$'000	2022 HK$'000
Summarized financial information		
Opening net assets as at 1 January	176,778	203,875
Profit/(loss) for the year	(6,939)	(17,690)
Dividend distribution	(2,057)	–
Exchange differences	(3,048)	(9,407)
Closing net assets as at 31 December	164,734	176,778
Interest in HB Entertainment	50,794	54,386
Goodwill	160,292	164,596
Carrying value	211,086	218,982

Impairment assessment for the interest in HB Entertainment

Recoverable amount was determined by the higher of the amount determined by value-in-use calculation or by fair value less costs of disposal.

The recoverable amount as at 31 December 2023 and 2022 was determined by fair value less costs of disposal. Management determined that the average enterprise value-to-revenue ratio based on a pool of comparable listed companies within the same industry.

There is no impairment required from the review on goodwill. A reasonable change in assumptions would not result in impairment as a such disclosure of sensitivity analysis is not considered necessary.

Key assumptions adopted in the calculation of recoverable amount were as follows:

	As at 31 December	
	2023	2022
Unobservable inputs adopted in fair value less costs of disposal calculation		
Average enterprise value-to-revenue ratio	3.2	2.6
Discounts for lack of marketability	25%	25%
Significant influence premium	15%	15%

No provision for impairment of interest in HB Entertainment has been recognized for the year ended 31 December 2023 and 2022.

(b) Deep Sea Health Limited

On 12 August 2021, the Company has completed an acquisition of 21.88% equity interest in Deep Sea Health Limited ("DSH") at a consideration equivalent to RMB20 million. Through the investment the Company has indirectly obtained a minority stake in a high-end clinic and hospital operation currently based in Shanghai.

The Group is able to exercise significant influence over DSH. The Group has elected to measure the investment in DSH at fair value through profit or loss since the Group decides the investment in DSH has the characteristics of a venture capital investment.

The Group has engaged an independent valuer to determined the fair value of the unlisted investment as at 31 December 2023 and 2022. The valuation of DSH was determined by using the market approach that made reference to price-to-sales multiples of the comparable companies in the same industry.

Key assumptions adopted in the valuation were as follows:

	As at 31 December	
	2023	2022
Unobservable inputs adopted		
Price-to-sales multiples	**1.6**	2.5
Discounts for lack of marketability	**20%**	25%

Summarized financial information

Set out below is the summarized financial information of DSH. The entity is measured at fair value through profit or loss.

Summarized balance sheet

	As at 31 December	
	2023 HK$'000	2022 HK$'000
Current		
Cash and cash equivalents	**1,296**	1,328
Total current assets	**1,296**	1,328
Current financial liabilities	**(371)**	(332)
Total current liabilities	**(371)**	(332)
Non-current		
Total non-current assets	**145,712**	161,279
Total non-current liabilities	**–**	–
Net assets	**146,637**	162,275
Non-controlling interests	**(69,763)**	(76,074)
Net assets attributable to the equity holders	**76,874**	86,201

Summarized statement of comprehensive income

	2023 HK$'000	2022 HK$'000
Revenue	–	–
Loss before taxation	(13,432)	(14,340)
Taxation	–	–
Loss after taxation	(13,432)	(14,340)
Other comprehensive loss	–	–
Total comprehensive loss	(13,432)	(14,340)

The information above reflects the amounts presented in the financial statements of the associate and not the Group's share of those amounts.

Movements of interest in DSH are as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	19,593	24,160
Fair value change through profit or loss	(2,646)	(4,567)
At 31 December	16,947	19,593

18 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets as per consolidated balance sheet

	At amortized cost HK$'000	At fair value through profit or loss HK$'000	Total HK$'000
As at 31 December 2022			
Trade and bills receivables (Note 20)	95,787	–	95,787
Deposits and other receivables (excluding non-financial assets) (Note 21)	91,466	–	91,466
Restricted cash (Note 23)	3,096	–	3,096
Cash and cash equivalents (Note 24)	38,300	–	38,300
Financial asset at fair value through profit or loss (Note 19)	–	17,110	17,110
Total	228,649	17,110	245,759
As at 31 December 2023			
Trade and bills receivables (Note 20)	**96,436**	**–**	**96,436**
Deposits and other receivables (excluding non-financial assets) (Note 21)	**103,882**	**–**	**103,882**
Cash and cash equivalents (Note 24)	**27,037**	**–**	**27,037**
Financial asset at fair value through profit or loss (Note 19)	**–**	**14,905**	**14,905**
Total	**227,355**	**14,905**	**242,260**

Financial liabilities as per consolidated balance sheet

	At amortized cost HK$'000
As at 31 December 2022	
Trade payables (Note 26)	94,182
Other payables and accrued liabilities (excluding non-financial liabilities)	48,739
Bank and other borrowings (Note 25)	32,740
Lease liabilities (Note 14)	24,627
Total	200,288
As at 31 December 2023	
Trade payables (Note 26)	**108,115**
Other payables and accrued liabilities (excluding non-financial liabilities)	**59,428**
Bank and other borrowings (Note 25)	**72,231**
Lease liabilities (Note 14)	**15,430**
Long-term financial liabilities	**27,606**
Total	**282,810**

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Current:		
Put option		
– Deep Sea Health Limited ("DSH") (Note a)	**5,049**	–
Non-current		
Investment in unlisted equity securities		
– Beijing Yi Yao Liang Xin ("YYLX") (Note b)	**9,856**	14,553
Put option		
– DSH (Note a)	**–**	2,557
	9,856	17,110

Note:

(a) On 12 August 2021, the Company has completed an acquisition of 21.88% equity interest in DSH, which became an associate of the Group. In connection with the acquisition, the Company has been granted an option to put the whole of acquired 21.88% equity interests in DSH to the founder and largest shareholder of DSH by 30 December 2022 at its original cost of acquisition ("2022 option"). Pursuant to the supplemental agreement entered into on 28 December 2022, the Company has agreed not to exercise the 2022 option, and has been granted another option to put its equity interests in DSH to the founder and the largest shareholder of DSH by 31 December 2024 at its original cost of acquisition plus a premium of 8% per annum.

Upon initial recognition, the put option was classified as a financial asset measured at fair value through profit or loss. The fair value of the put option was estimated as at the date of grant and each financial reporting period end, using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	As at 31 December	
	2023	2022
Unobservable inputs adopted		
Expected volatility	**44.61%**	57.63%
Expected dividend	**0.00%**	0.00%
Exercise probability	**55.00%**	25.00%
Risk-free interest rate	**2.04%**	2.27%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

(b) In December 2022, the Company has completed an acquisition of 10% equity interest in YYLX, which principally engaged in construction and operation of centralised dispensary centres of traditional Chinese medicines. The consideration of this 10% equity interest was settled by setting-off with a receivable balance from YYLX of approximately HK$14,553,000. The fair value of YYLX as at 31 December 2022 was estimated to be approximate to the cost of acquisition as at the completion date as the same valuation of YYLX was adopted by the other investors completing acquisition of YYLX equity interests at the same time. The fair value of YYLX as at 31 December 2022 is estimated to be approximate to the fair value at the completion date given the short period in between.

The Group has engaged an independent valuer to determine the fair value of the unlisted investment in YYLX as at 31 December 2023. The valuation of YYLX was determined using the market approach that made reference to price-to-sales multiples to the comparable companies in the same industry. Key assumptions adopted were as follows:

	As at 31 December 2023
Unobservable inputs adopted	
Price-to-sales multiples	**3.74**
Discounts for lack of marketability	**38%**

20 TRADE AND BILLS RECEIVABLES

The aging analysis of the trade and bills receivables based on invoice date is as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
0–3 months	**88,001**	82,887
4–6 months	**6,642**	6,432
7–9 months	**341**	2,405
10–12 months	**–**	–
Over 1 year	**10,284**	13,435
	105,268	105,159
Less: Provision for impairment	**(8,832)**	(9,372)
	96,436	95,787

Classification as trade and bills receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and bills receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Information about the impairment of trade and bills receivables can be found in Note 3(i)(b).

The Group's credit terms with its customers are up to 90 days.

Movements on the Group's provision for impairment of trade and bills receivables are as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
At 1 January	**9,372**	8,515
(Reversal of)/net provision for impairment (Note 8)	**(552)**	877
Exchange differences	**12**	(20)
At 31 December	**8,832**	9,372

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The carrying amounts of trade and bills receivables approximate their fair values.

The maximum exposure to credit risk at the balance sheet date is the carrying value of trade and bills receivables disclosed above. The Group does not hold any collateral as security.

The carrying amounts of trade and bills receivables are denominated in the following currencies:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
HK$	**–**	3,186
RMB	**96,436**	92,601
	96,436	95,787

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Prepayments	**2,207**	11,965
Deposits and other receivables	**114,066**	107,134
	116,273	119,099
Less: Provision for impairment of deposits and other receivables	**(10,184)**	(15,668)
	106,089	103,431
Less: Non-current portion	**(45,798)**	(3,846)
	60,291	99,585

Movements on the Group's provision for impairment of deposits and other receivables are as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
At 1 January	**15,668**	24,944
(Reversal of)/provision for impairment (Note 8)	**(4,017)**	10,152
Written off	**–**	(19,558)
Exchange differences	**(1,467)**	130
At 31 December	**10,184**	15,668

The carrying amounts of prepayments, deposits and other receivables of the Group are denominated in the following currencies:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
HK$	**1,410**	4,100
RMB	**104,679**	99,331
	106,089	103,431

The carrying amounts of deposits and other receivables approximate their fair values.

Information about the impairment of deposits and other receivables can be found in Note 3(i)(b).

The maximum exposure to credit risk at the balance sheet date is the carrying value of deposits and other receivables disclosed above.

22 INVENTORIES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Finished goods	**4,332**	4,832

The cost of inventories sold of approximately HK$361,610,000 (2022: HK$796,905,000) was recognized as expense and included in "Cost of sales" in the consolidated income statement for the year ended 31 December 2023.

No provision of impairment of inventories was recognized for the year ended 31 December 2023 (2022: same).

23 RESTRICTED CASH

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Pledged bank deposits	**–**	3,096

There was no restricted cash balance as at 31 December 2023. As at 31 December 2022, the Group had bank balance of approximately HK$3,096,000 which was restricted as to use and mainly to be utilised for the purpose of potential settlement for a litigation claim. The restricted cash was released as the litigation claim was fully settled during the year ended 31 December 2023.

The carrying amounts of pledged bank deposits approximate their fair values and are denominated in RMB.

24 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Cash and bank balances	**27,037**	38,300
Denominated in:		
HK$	**1,325**	2,874
RMB	**23,490**	31,420
US$	**2,222**	4,006
	27,037	38,300
Maximum exposure to credit risk	**27,005**	38,245

The Group's cash and bank balances of approximately HK$23,490,000 (2022: HK$31,405,000) as at 31 December 2023 were denominated in RMB and held in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

25 BANK AND OTHER BORROWINGS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Current:		
Bank borrowing (Note a)	**3,367**	5,605
Other borrowings (Note b)	**68,864**	27,135
	72,231	32,740
Denominated in:		
RMB	**71,231**	32,740
HK$	**1,000**	—
	72,231	32,740

As at 31 December 2023 and 2022, carrying amounts of bank and other borrowings approximated their fair values.

Note a: As at 31 December 2023, bank borrowing is secured (2022: secured), interest bearing at 3.45% (2022: 4.35%) and repayable within 1 year (2022: 1 year). The bank borrowings as at 31 December 2022 amounting to HK$5,605,000 has been fully repaid during the year ended 31 December 2023.

Note b: Other borrowings are unsecured and repayable within 1 year. Approximately HK$18,759,000 (2022: HK$4,746,000) is bearing at a weighted average rate of 6.00% (2022: 9.71%) per annum. The remaining other borrowings of approximately HK$50,105,000 (2022: HK$22,389,000) are interest-free.

The Group has unconditional rights to extend the maturity date of certain other borrowings amounting to approximately HK$43,092,000 (2022: HK$22,389,000) for one more year.

26 TRADE PAYABLES

The aging analysis of trade payables based on the invoice date were as follows:

	2023	2022
	HK$'000	HK$'000
0–3 months	**101,068**	93,903
3–6 months	**5,423**	–
Over 6 months	**1,624**	279
	108,115	94,182

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

The carrying amounts of trade payables of the Group are denominated in RMB.

The carrying amounts of trade payables approximate their fair values.

27 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUED LIABILITIES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Current liabilities:		
Other payables and accrued liabilities (Note i)	**74,757**	78,265
Contract liabilities (Note ii)	**4,918**	8,922
	79,675	87,187

Notes:

(i) Other payables and accrued liabilities mainly represented accrued operating expenses and PRC other tax payables.

(ii) Contract liabilities represent advanced payments received from the customers for services that have not been transferred to the customers. The balance was mainly arising from the business in relation to online prescription, circulation and marketing of pharmaceutical products.

The carrying amounts of other payables and accrued liabilities approximate their fair values.

The carrying amounts of the Group's contract liabilities, other payables and accrued liabilities were denominated in the following currencies:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
HK$	**6,883**	5,402
RMB	**72,792**	81,785
	79,675	87,187

28 SHARE CAPITAL

	Ordinary shares of HK$0.02 each		Preference shares of HK$0.01 each		
	No. of shares '000	HK$'000	No. of shares '000	HK$'000	HK$'000
Authorized:					
At 31 December 2023 and 2022 (Note a)	**150,000,000**	**3,000,000**	**240,760**	**2,408**	**3,002,408**
Issued and fully paid:					
At 1 January 2023 and 31 December 2023	**13,585,339**	**271,707**	**–**	**–**	**271,707**
At 1 January 2022	13,498,107	269,962	–	–	269,962
Issuance of vested share award	62,500	1,250	–	–	1,250
Acquisition of subsidiaries	24,732	495	–	–	495
At 31 December 2022	13,585,339	271,707	–	–	271,707

Note:

(a) Authorized share capital

The total number of authorized shares includes ordinary shares and preference shares. 150,000,000,000 (2022: 150,000,000,000) shares are ordinary shares with par value of HK$0.02 (2022: HK$0.02) per share. 240,760,000 (2022: 240,760,000) shares are preference shares with par value of HK$0.01 per share (2022: HK$0.01). All issued shares are fully paid.

Share Option

The previous share option scheme adopted by the Company on 4 June 2012 (the "Previous Share Option Scheme") for a period of 10 years had expired on 3 June 2022. Upon the termination of the Previous Share Option Scheme, no further share options could be granted by the Company under such scheme. As the Previous Share Option Scheme had expired, the Company adopted a new share option scheme (the "New Share Option Scheme") on 21 June 2022, pursuant to a resolution passed on the extraordinary general meeting of the Company on the same date.

Pursuant to the New Share Option Scheme, the Company can grant options to Eligible Participant(s) (as defined in the New Share Option Scheme) for a consideration of HK$1.00 for each grant payable by the Eligible Participant(s) to the Company. The total number of the shares issued and to be issued upon exercise of options granted to each Eligible Participant(s) (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue.

Pursuant to a resolution passed on 21 June 2022, the Company can further grant up to 1,356,060,657 share options to the Eligible Participant(s).

Subscription price in relation to each option pursuant to the New Share Option Scheme shall not be less than the higher of (i) the closing price of the shares as stated in Stock Exchange's daily quotation sheets on the date on which the option is offered to a Eligible Participant(s); or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; or (iii) the nominal value of the shares of the Company. There shall be no minimum holding period for the vesting or exercise of the options and the options are exercisable within the option period as determined by the Board of Directors of the Company. No share-based compensation expense has been charged to the consolidated income statement accordingly (2022: Nil).

During the year ended 31 December 2023, no share options were granted, exercised, cancelled or lapsed, and there was no outstanding option under the New Share Option Scheme as at 31 December 2023 (2022: Nil).

Share award scheme

On 20 August 2021 (the "Adoption Date"), the Group adopted a share award scheme ("Share Award Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. An award granted under the Share Award Scheme will take the form of a Restricted Share Unit ("RSU"), being a contingent right to receive shares of the Company which are awarded under the Share Award Scheme.

All grants of RSUs to the Company's directors (including an executive director, a non-executive and an independent non-executive director) must first be approved by all the members of the remuneration committee of the Company, or in the case where the grant is proposed to be made to any member of the remuneration committee, by all of the other members of the remuneration committee. All grants of RSUs to connected persons shall be subject to compliance with the requirements of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules.

During the year ended 31 December 2023, 15,000,000 shares (2022: 77,500,000 shares) were granted to selected participants pursuant to the Share Award Scheme. No shares (2022: 15,000,000 shares) were lapsed because the vesting conditions had not been fulfilled. No share were vested and issued during the year ended 31 December 2023 (2022: 62,500,000 shares, which par value amounted to HK$1,250,000, were vested and issued, subject to a lock-up period of one year (25% of vested shares), two years (25% of vested shares), three years (25% vested shares) and four years (25% of vested shares) respectively).

For the year ended 31 December 2023, share-based compensation expense recognized in the consolidated income statement for share awards was approximately HK$2,845,000 (2022: HK$17,541,000). Included in the share-based compensation expenses recognized in the consolidated income statement for the year ended 31 December 2022 was an amount of approximately HK$14,487,000 resulting from (i) issuance of 24,732,032 new shares of the Company at HK$0.56 per share to the founding shareholders of Pingtan Xinban Clinic Company Limited ("PTXB") in August 2022; and (ii) a commitment by the Group to inject an equivalent of RMB39,000,000 to PTXB, in accordance with achievement of certain pre-determined performance targets pursuant to the terms in relation to the acquisition of PTXB in April 2021.

The fair value of the awarded shares granted during the year ended 31 December 2023 of HK$0.140 (2022: HK$0.142) per share was calculated based on the closing price of the Shares at the date of grant.

29 RESERVES

	Share premium HK$'000 (Note ii)	Merger reserve HK$'000 (Note i)	Capital redemption reserve HK$'000 (Note iii)	Currency translation reserve HK$'000 (Note iv)	Shares held for share award scheme HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2022	1,213,484	860,640	1,206	(36,270)	–	11,254	(1,664,923)	385,391
Loss for the year	–	–	–	–	–	–	(269,980)	(269,980)
Share-based compensation	–	–	–	–	–	14,620	–	14,620
Issuance of shares for vested share awards	–	–	–	–	(1,250)	–	–	(1,250)
Acquisition of subsidiaries	13,244	–	–	–	–	(13,739)	–	(495)
Currency translation differences								
– Group	–	–	–	1,320	–	–	–	1,320
– Associate	–	–	–	(13,113)	–	–	–	(13,113)
Balance at 31 December 2022	1,226,728	860,640	1,206	(48,063)	(1,250)	12,135	(1,934,903)	116,493

	Share premium HK$'000 (Note ii)	**Merger reserve HK$'000 (Note i)**	**Capital redemption reserve HK$'000 (Note iii)**	**Currency translation reserve HK$'000 (Note iv)**	**Shares held for share award scheme HK$'000**	**Other reserves HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**
Balance at 1 January 2023	**1,226,728**	**860,640**	**1,206**	**(48,063)**	**(1,250)**	**12,135**	**(1,934,903)**	**116,493**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(97,087)**	**(97,087)**
Share-based compensation	**–**	**–**	**–**	**–**	**–**	**2,251**	**–**	**2,251**
Issuance/Unlocking of shares for vested share awards	**1,907**	**–**	**–**	**–**	**312**	**(2,219)**	**–**	**–**
Currency translation differences								
– Group	**–**	**–**	**–**	**2,536**	**–**	**–**	**–**	**2,536**
– Associate	**–**	**–**	**–**	**(5,707)**	**–**	**–**	**–**	**(5,707)**
Balance at 31 December 2023	**1,228,635**	**860,640**	**1,206**	**(51,234)**	**(938)**	**12,167**	**(2,031,990)**	**18,486**

Notes:

(i) The merger reserve of the Group derives from the difference between the nominal value of the Company's shares issued to acquire the issued share capital of a group company pursuant to the Group reorganization in 2002, and the consolidated net asset value of the group company so acquired. Under the Companies Law (2003 Revision) (Cap. 22) of the Cayman Islands, the merger reserve is distributable to shareholders under certain prescribed circumstances.

(ii) The share premium of the Company represents the excess of the fair value of the issued shares over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law (2003 Revision) (Cap. 22) of the Cayman Islands, a company may make distributions to its members out of the share premium in certain circumstances.

(iii) During the year ended 31 December 2008, the Company repurchased 120,600,000 issued ordinary shares on the Stock Exchange. These repurchased shares were cancelled immediately upon repurchase. The total amount paid to acquire these issued ordinary shares of HK$4,609,000 were deducted from shareholders' equity. A sum equivalent to the nominal value of the repurchased shares amounting to HK$1,206,000 has been transferred from accumulated losses to capital redemption reserve.

(iv) The Group has certain investments in subsidiaries and associate with RMB/KRW as their functional currency, which is subjected to foreign currency translation risk. Fluctuation in such currencies would be reflected in the movement of the translation reserve. Fluctuation of currency translation differences in other comprehensive income in current year was resulted from revaluation of RMB/KRW against HK$ and reclassification to profit or loss upon deregistration of a subsidiary of the Group.

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to cash used in operations

	2023 HK$'000	2022 HK$'000 (Restated) (Note 32)
Loss before taxation from continuing operations	(119,636)	(318,126)
(Loss)/profit before taxation from discontinued operation	(5,787)	1,103
Loss before taxation including discontinued operation	(125,423)	(317,023)
Adjustments for:		
– Share of results of an associate	1,556	4,817
– Interest income	(156)	(1,213)
– Depreciation of property, plant and equipment	3,936	4,145
– Depreciation of right-of-use assets	26,478	33,863
– Loss/(gain) on disposal of property, plant and equipment	846	(4)
– Write off of property, plant and equipment	2,158	12
– Write off of intangible assets	1,578	–
– Amortization of completed film rights	–	73,736
– Amortization of intangible assets	1,869	1,452
– Provision for impairment of film rights and films production in progress	–	43,565
– (Reversal of)/provision for impairment of trade receivables	(552)	877
– (Reversal of)/provision for impairment of deposits and other receivables	(4,017)	10,152
– Gain on early termination of lease	1,730	573
– Fair value change on interest in an associate measured at fair value through profit or loss	2,646	4,567
– Fair value loss/(gain) on financial assets at fair value through profit or loss, net	2,205	(1,342)
– Finance costs, net	3,606	1,768
– Share-based compensation expenses	2,845	17,541
– Gain on disposal of subsidiaries	(174)	–
– Loss on modification of financial assets	4,087	–
	(74,782)	(122,514)
Changes in working capital:		
– Decrease/(increase) in inventories	262	(2,875)
– Increase in trade receivables	(2,183)	(39,609)
– Decrease in prepayments, deposits and other receivables	14,309	79,271
– Decrease in other payables and accrued liabilities	(4,931)	(3,836)
– Increase in trade payables	15,982	70,352
– Decrease in contract liabilities	(2,050)	(67,785)
– Decrease/(increase) in restricted cash	3,096	(3,096)
Cash used in operations	(50,297)	(90,092)

(b) Reconciliation of liabilities arising from financing activities

	Capital contribution HK$'000	Borrowings HK$'000	Leases HK$'000	Total HK$'000
At 1 January 2022	–	–	52,193	52,193
Cash flows – principal elements of borrowings/leases, net	–	33,784	(44,228)	(10,444)
Cash flows – payment of borrowing interests	–	(144)	–	(144)
Acquisition – lease	–	–	18,472	18,472
Foreign exchange adjustments	–	(1,448)	(3,030)	(4,478)
Finance costs, net (Note 7)	–	548	1,220	1,768
At 31 December 2022	–	32,740	24,627	57,367
At 1 January 2023	**–**	**32,740**	**24,627**	**57,367**
Cash flows – principal elements of borrowings/leases, net	**–**	**45,797**	**(11,280)**	**34,517**
Cash flows – payment of borrowing interests	**–**	**(1,405)**	**–**	**(1,405)**
Cash flows – capital contribution from investor of a subsidiary	**26,484**	**–**	**–**	**26,484**
Acquisition – lease	**–**	**–**	**5,775**	**5,775**
Early termination of lease	**–**	**–**	**(4,340)**	**(4,340)**
Disposal of subsidiaries	**–**	**(5,558)**	**–**	**(5,558)**
Foreign exchange adjustments	**(196)**	**(750)**	**(232)**	**(1,178)**
Finance costs, net (Note 7)	**1,318**	**1,407**	**880**	**3,605**
At 31 December 2023	**27,606**	**72,231**	**15,430**	**115,267**

31 DEEMED DISPOSAL OF PARTIAL INTERESTS IN SHAANXI YIZHINUO INFORMATION TECHNOLOGY COMPANY LIMITED ("YZN") AND REORGANIZATION OF YZN GROUP

In April 2023, the Company entered into the capital increase agreement and a shareholders' agreement (the "YZN Capital Increase Agreements") with 張家港翼唐股權投資合夥企業(有限合夥) (Zhangjiagang Yitang Equity Investment Partnership (Limited Partnership)) (the "New Investor") and other relevant parties. Pursuant to the YZN Capital Increase Agreements, the New Investor conditionally agreed to make a capital contribution in total of RMB40,000,000 in cash to YZN in two instalments (the "YZN Capital Increase"). The New Investor would be interested in approximately 6.25% of the enlarged equity interest in YZN and the Group's interest in YZN would be diluted from 51% to approximately 47.81%. In addition, as part of an incentive measure to the employees of the YZN Group provided for under the YZN Capital Increase Agreements, the Group, Mr. WANG Jian and Ms. SHANG Jing had undertaken to respectively transfer approximately 1.63%, 0.60% and 0.58% of the total equity interest in YZN (as enlarged by the YZN Capital Increase) to the specific entity solely for the purpose of managing YZN's employee stock ownership plan by no later than 31 December 2024, following which the Group's interest in YZN would be further reduced to approximately 46.18%.

Pursuant to the relevant provisions in the YZN Capital Increase Agreements, the Group controls the appointment of more than half of the total number of directors to the board of YZN. Accordingly, the Group has the right to direct the relevant activities, including but not limited to budgeting, pricing and strategies planning, of the YZN Group (as defined below). As a result, YZN would continue to be an indirect non-wholly owned subsidiary of the Company and the financial results of YZN Group (as defined below) would continue to be consolidated into the consolidated financial statements of the Group.

In addition, pursuant to the YZN Capital Increase Agreements, YZN shall use all endeavours to achieve the initial public offering of YZN on a reputable securities exchange within 5 years ("Qualified IPO"). If YZN fails to complete a Qualified IPO or fails to be entirely acquired within the said period, the New Investor may require YZN to repurchase all or part of its equity interest held in YZN in cash at cost of the New Investor plus interest at 10% per annum. Accordingly, the capital contribution received/to be received by YZN is accounted for as the Group's long-term financial liabilities.

In conjunction with the YZN Capital Increase, a reorganization (the "Reorganization") would be carried out, by which YZN would become the holding company of PTXB and in turn PTXB would become 100% owned by YZN, in order that the New Investor would be acquiring equity interest in YZN (the principal revenue generating entity) as the holding company of the YZN and its subsidiaries including PTXB (the "YZN Group"). After the registration of the New Investor as a 6.25% shareholder of YZN, the Group's percentage interest in YZN had been diluted to below 50% for which the Group was permitted under applicable PRC laws and regulations to directly hold equity interest in YZN, and therefore the VIE structure in respect of the YZN Group would no longer necessary and all relevant VIE contractual arrangements would be terminated (the "VIE Termination").

In connection with the YZN Capital Increase Agreements, the Company also entered into the fourth supplemental agreement (the "Fourth Supplemental Agreement") with the relevant parties in May 2023. Pursuant to the Fourth Supplemental Agreement, upon completion of the Reorganization and VIE Termination, the terms under the Capital Increase and Acquisition Agreement (as amended by the Third Supplemental Agreement) in relation to the Further Acquisition, the First Performance Target and the Second Performance Target had been abolished.

In November 2023, the relevant parties entered into the YZN Capital Increase Supplemental Agreement, pursuant to which a further group reorganization would be carried such that Yizhinuo Technology (Suzhou) Co., Ltd. ("Suzhou YZN") would become the holding company of YZN, the OPCO and other subsidiaries within the YZN Group ("Suzhou YZN Reorganization").

As of 31 December 2023, the YZN Group had already received the first instalment of YZN Capital Increase amounting to RMB24 million (equivalent to approximately HK$26,031,000) which is recorded as the Group's long-term financial liabilities. All of the above-mentioned steps had been completed as at 31 December 2023 except for the completion of Suzhou YZN Reorganization and the receipt of the second instalment of YZN Capital Increase amounting to RMB16 million, both of which were subsequently completed in January 2024.

32 DISCONTINUED OPERATION

As detailed in the Company's announcements dated 15 May 2015 and 28 December 2020, Haikou Jiuhao Hotel Management Company Limited Beijing Branch ("Haikou Beijing Branch"), an indirect wholly-owned subsidiary of the Company, has entered into a set of club lease agreements (the "Club Lease Agreement") with Beijing Bayhood No. 9 Business Hotel Company Limited (the "Lessor") pursuant to which the assets relevant to the operations of "Beijing Bayhood No. 9 Club" were leased to Haikou Beijing Branch for a term of twenty years starting from 6 October 2015. The total lease term of twenty years was divided into six rental periods. The first rental period of five years has ended on 5 October 2020. The remaining lease term of fifteen years starting from 6 October 2020 were to be divided into five rental periods of three years each. Haikou Beijing Branch has an option to early terminate the Club Lease Agreement by giving advance notice to the Lessor prior to the expiry of each rental period.

On 3 April 2023, Haikou Beijing Branch has delivered an advance notice to the Lessor to early terminate the Club Lease Agreement after the expiry of the second rental period by 5 October 2023. Since the early termination of the Club Lease Agreement by 5 October 2023, the Group has no longer engaged in the operation of "Bayhood No. 9 Club".

As the operation of "Healthcare and Wellness Services – Beijing Bayhood No. 9 Club" is considered as a separate major line of business, they are accounted for as discontinued operations.

Analysis of the result of discontinued operations in relation to Healthcare and Wellness Services – Beijing Bayhood No. 9 Club is as follows:

	During the period from 1 January 2023 to 5 October 2023 HK$'000	During the year ended 31 December 2022 HK$'000
Revenue	**92,271**	110,670
Cost of sale	**(49,243)**	(67,067)
Gross profit	**43,028**	43,603
Other income and other (losses)/gains, net	**(6,068)**	200
Administrative expenses	**(42,746)**	(42,788)
Net reversal of impairment of financial assets	**–**	359
	(5,786)	1,374
Finance costs, net	**(1)**	(271)
(Loss)/profit before tax from discontinued operations	**(5,787)**	1,103
Tax	**–**	–
(Loss)/profit for the year from discontinued operations	**(5,787)**	1,103

33 RELATED PARTY TRANSACTIONS

(a) Related party transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following related party transactions:

Name of party	Nature of transaction	31 December 2023 HK$'000	31 December 2022 HK$'000
Tencent Cloud Computing (Beijing) Company Limited (Note a)	Service fees	978	–
華誼兄弟電影有限公司 ("Huayi Brothers Film Co., Ltd")* (Note b)	Film investment income	–	23,136
		978	23,136

* English name is made for identification purpose only.

Note a: Tencent Cloud Computing (Beijing) Company Limited is a wholly-owned subsidiary of Tencent Holdings Limited which is a substantial shareholder of the Company.

Note b: Huayi Brothers Film Co., Ltd is the subsidiary of Huayi Brothers Media Corporation, a former substantial shareholder of the Company. The above transactions were conducted in the normal course of business of the Group and charged at terms mutually agreed by the parties concerned.

(b) Related party balances

	31 December 2023 HK$'000	31 December 2022 HK$'000
Trade receivables		
– Huayi Brothers Film Co., Ltd	669	6,351
Other borrowings (unsecured and non-interest bearing)		
– Mr. YUEN Hoi Po, an executive director and CEO of the Company	19,207	16,792
– Ms. Dong Yu, a director and CEO of a subsidiary of the Company	2,207	–
	21,414	16,792

(c) Key management compensation

Remuneration for key management personnel, including amounts paid to the Company's directors, is disclosed in Note 35 and certain of the highest paid employees is disclosed in Note 12.

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Assets		
Non-current assets		
Investment in subsidiaries	**42,161**	57,386
Investment in associates	**272,232**	274,878
Financial assets at fair value through profit or loss	**–**	2,557
	314,393	334,821
Current assets		
Loans advanced to subsidiaries	**100,951**	167,984
Prepayments, deposits and other receivables	**6**	942
Financial asset at fair value through profit or loss	**5,049**	–
Cash and cash equivalents	**734**	2,536
	106,740	171,462
Total assets	**421,133**	506,283
Equity and liabilities		
Equity		
Share capital	**271,707**	271,707
Reserves (Note (a))	**142,331**	229,453
Total equity	**414,038**	501,160
Liabilities		
Current liabilities		
Other payables and accrued liabilities	**6,095**	5,123
Other borrowings	**1,000**	–
Total liabilities	**7,095**	5,123
Total equity and liabilities	**421,133**	506,283

The balance sheet of the Company was approved by the Board of Directors on 26 March 2024 and were signed on its behalf.

YUEN Hoi Po	**CHENG Wu**
Director	*Director*

NOTE (a) RESERVE MOVEMENT OF THE COMPANY

	Share premium HK$'000	Capital redemption reserve HK$'000	Shares held for share award scheme HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2022	1,213,484	1,206	–	26,839	(774,675)	466,854
Loss for the year	–	–	–	–	(254,032)	(254,032)
Issuance of consideration shares for acquisition	13,244	–	–	–	–	13,244
Contribution by and distribution to owners of the Company recognised directly in equity:						
– Share awards	–	–	(1,250)	3,054	–	1,804
– Share-based compensation	–	–	–	1,583	–	1,583
At 31 December 2022	1,226,728	1,206	(1,250)	31,476	(1,028,707)	229,453
At 1 January 2023	**1,226,728**	**1,206**	**(1,250)**	**31,476**	**(1,028,707)**	**229,453**
Loss for the year	**–**	**–**	**–**	**–**	**(90,091)**	**(90,091)**
Contribution by and distribution to owners of the Company recognised directly in equity:						
– Share awards	**1,907**	**–**	**312**	**(2,219)**	**–**	**–**
– Share-based compensation	**–**	**–**	**–**	**2,969**	**–**	**2,969**
At 31 December 2023	**1,228,635**	**1,206**	**(938)**	**32,226**	**(1,118,798)**	**142,331**

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each of the Directors and chief executive of the Company for the year ended 31 December 2023 is set out as follows:

Name	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Retirement benefit contributions HK$'000	Total HK$'000
Director and chief executive							
Mr. YUEN Hoi Po	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Directors							
Mr. CHENG Wu	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dr. WONG Yau Kar David (Note ii)	**113**	**–**	**–**	**–**	**–**	**–**	**113**
Mr. YUEN Kin	**240**	**–**	**–**	**–**	**–**	**–**	**240**
Mr. CHU Yuguo	**240**	**–**	**–**	**–**	**–**	**–**	**240**
Ms. WANG Song Song (Note i)	**127**	**–**	**–**	**–**	**–**	**–**	**127**
Ms. PAN Min (Note i)	**127**	**–**	**–**	**–**	**–**	**–**	**127**
	847	**–**	**–**	**–**	**–**	**–**	**847**

The remuneration of each of the Directors and chief executive of the Company for the year ended 31 December 2022 is set out as follows:

Name	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Retirement benefit contributions HK$'000	Total HK$'000
Director and chief executive							
Mr. YUEN Hoi Po	–	–	–	–	–	–	–
Directors							
Mr. CHENG Wu	–	–	–	–	–	–	–
Dr. WONG Yau Kar David (Note ii)	240	–	–	–	–	–	240
Mr. YUEN Kin	240	–	–	–	–	–	240
Mr. CHU Yuguo	240	–	–	–	–	–	240
	720	–	–	–	–	–	720

Note:

(i) Appointed on 20 June 2023

(ii) Resigned on 20 June 2023

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2023 (2022: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2023, the Company does not pay consideration to any third parties for making available directors' services (2022: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2023, there are no loans, quasi-loans and other dealing arrangements entered into by the Company or subsidiary undertaking of the Company in favour of directors, controlled bodies corporate by and connected entities with such directors (2022: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

There are no significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2023 or at any time during the year then ended (2022: Nil).

36 EVENT AFTER THE BALANCE SHEET DATE

In March 2024, the Company has completed the issuance of 10% convertible bonds due March 2026 of an aggregate principal amount of HK$120,000,000. At any time after the issue date and up to and inclusive of the maturity date, the holder of the convertible bonds has right to convert in whole or in part, of the outstanding principal amount into fully paid ordinary shares of the Company. For details of the convertible bonds, please refer to the Company's announcement dated 7 March 2024. The relevant financial impact of the issuance of convertible bonds will be reflected in the consolidated financial statements of the Group for the year ending 31 December 2024.

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists out the subsidiaries of the Company as at 31 December 2023 and 2022 which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Place of incorporation/ establishment and kind of legal entity	Particulars issued share capital/ registered capital	Interest held 2023	Interest held 2022	Principal activities and place of operation
Anglo Alliance Co., Ltd (1)	British Virgin Islands, limited company	US$2 ordinary	100%	100%	Investment holding
北京華億浩歌傳媒文化有限公司 Beijing Hua Yi Hao Ge Media Culture Co., Ltd. (7)	PRC, limited liability company	RMB231,601,483	100%	100%	Investment holding and licensing of films and TV drama in the PRC
北京華億千思廣告有限公司 Beijing Hua Yi Qian Si Advertising Company Limited (7)	PRC, limited liability company	RMB5,000,000	100%	100%	Advertising agency in the PRC
Horizon Partner Holdings Limited (1)	British Virgin Islands, limited company	US$1 ordinary	100%	100%	Investment holding
睿智康有限公司 Giant Health Company Limited (formerly known as "中國9號健康管理有限公司 China Jiuhao Health Management Limited") (1)(5)	Hong Kong, limited company	HK$1 ordinary	100%	100%	Investment holding
華誼騰訊娛樂國際有限公司 Huayi Tencent Entertainment International Limited (1)(5)	Hong Kong, limited company	HK$40,000,000 ordinary	100%	100%	Investment holding and licensing of films in Hong Kong
China Jiuhao (Haikou) Investment Company Limited (1)	British Virgin Islands, limited company	US$1 ordinary	100%	100%	Investment holding
中國9號健康產業（海口）有限公司 China Jiuhao Health Industry Corporation (Haikou) Limited (5)(7)	Hong Kong, limited company	HK$1 ordinary	100%	100%	Investment holding
海口九號酒店管理有限公司 Haikou Jiuhao Hotel Management Company Limited (7)	PRC, limited liability company	HK$150,000	100%	100%	Hotel management and provision of healthcare and wellness services in the PRC
Maximum Gains Ventures Limited (1)(2)	Cayman Islands, limited company	HK$10	100%	51%	Investment Holding
騰海健康有限公司 Robust Ocean Limited (2)(5)	Hong Kong, limited company	HK$1 ordinary	100%	51%	Investment holding
張家港騰海博業健康科技有限公司 Zhangjiagang Tenghai Boye Health Technology Co., Ltd. (formerly known as "北京騰海博業健康科技有限公司 Beijing Tenghai Boye Health Technology Co., Ltd") (2)(7)	PRC, limited liability company	RMB200,000,000	100%	51%	Investment Holding
柏海投資有限公司 Prowess Investment Limited (1)(5)	Hong Kong, limited company	HK$1 ordinary	100%	100%	Investment Holding
平潭心伴門診部有限公司 Pingtan Xinban Clinic Company Limited (2)(7)	PRC, limited liability company	RMB73,490,196	46%	51% (6)	Provision of medical services in the PRC

Name	Place of incorporation/ establishment and kind of legal entity	Particulars issued share capital/ registered capital	Interest held 2023	Interest held 2022	Principal activities and place of operation
陝西醫智諾信息科技有限公司 Shaanxi Yizhinuo Information Technology Co., Ltd (2)(7)	PRC, limited liability company	RMB32,762,347	**46%**	51% (6)	Provision of digitised operation services in healthcare industry in the PRC
醫智諾科技(蘇州)有限公司 Yizhinuo Technology (Suzhou) Co., Ltd (formerly known as "海南德鑫科技有限公司 Hainan Dexin Technology Co., Ltd") (2)(7)	PRC, limited liability company	RMB2,133,333	**46%**	51% (6)	Provision of digitised operation services in healthcare industry in the PRC
山西醫智諾信息技術有限公司 Shanxi Yizhinuo Information Technology Co., Ltd (3)(7)	PRC, limited liability company	RMB1,000,000	**–**	26% (6)	Provision of digitised operation services in healthcare industry in the PRC
河南醫智諾信息科技有限公司 Henan Yizhinuo Information Technology Co., Ltd (3)(7)	PRC, limited liability company	RMB10,000,000	**–**	26% (6)	Provision of digitised operation services in healthcare industry in the PRC
醫智諾(上海)科技有限公司 Yizhinuo (Shanghai) Technology Company Limited (4)(7)	PRC, limited liability company	RMB1,000,000	**46%**	–	Provision of digitised operation services in healthcare industry in the PRC
西安醫智諾信息科技有限公司 Xian Yizhinuo Information Technology Co., Ltd. (4)(7)	PRC, limited liability company	RMB50,000,000	**100%**	–	Inactive
Meerkat Health Holdings Limited (1)	Cayman Islands, limited company	HK$200	**60%**	60%	Investment Holding
柏悅健康有限公司 Heartily Health Limited (5)	Hong Kong, limited company	HK$1 ordinary	**60%**	60%	Investment Holding
華騰嚴選(香港)有限公司 Splendid Soaring Strictions (HK) Company Limited (4)(5)	Hong Kong, limited company	HK$1 ordinary	**60%**	–	Trading
杭州悅響健康科技有限公司 Hangzhou Yuexiang Health Technology Co., Ltd (7)	PRC, limited liability company	RMB150,000,000	**60%**	60%	Investment holding and provision of management services for group companies in the PRC
杭州火烈鳥醫藥有限公司 Hangzhou Flamingo Pharmaceutical Co., Ltd (3)(7)	PRC, limited liability company	RMB20,000,000	**18%**	60%	Trading and supply chain management of pharmaceutical products in the PRC

Name	Place of incorporation/ establishment and kind of legal entity	Particulars issued share capital/ registered capital	Interest held 2023	Interest held 2022	Principal activities and place of operation
杭州猛獁象健康管理有限公司 Hangzhou Mammoth Health Management Co., Ltd (7)	PRC, limited liability company	RMB10,000,000	**60%**	60%	Operation of platform for medical and healthcare services in the PRC
安徽火烈鳥醫藥有限公司 Anhui Flamingo Pharmaceutical Co., Ltd (7)	PRC, limited liability company	RMB50,000,000	**60%**	60%	Trading and supply chain management of pharmaceutical products in the PRC
杭州獴哥健康科技有限公司 Hangzhou Meerkat Health Technology Co., Ltd (6)(7)	PRC, limited liability company	RMB7,500,000	**60%**	60%	Investment holding and provision of management services for group companies in the PRC
杭州白鰭豚信息科技有限公司 Hangzhou Baiji Dolphin Information Technology Co., Ltd (6)(7)	PRC, limited liability company	RMB1,000,000	**60%**	60%	Information technology and system development in the PRC
杭州五吉熊信息技術服務有限公司 Hangzhou Wujixiong Information Technology Service Co., Ltd (6)(7)	PRC, limited liability company	RMB10,000,000	**60%**	60%	Information technology and system development in the PRC
杭州覓清照健康管理有限公司 Hangzhou Miqingzhao Health Management Co., Ltd (6)(7)	PRC, limited liability company	RMB2,000,000	**60%**	60%	Provision of healthcare management and consultancy services in the PRC
紅珊瑚綜合門診部(天津)有限公司 Red Coral Comprehensive Outpatient Department (Tianjin) Co., Ltd (6)(7)	PRC, limited liability company	RMB5,000,000	**60%**	60%	Provision of medical services in the PRC
杭州華之騰嚴選管理諮詢有限公司 Hangzhou Huaziteng Yansuan Management Consulting Co., Ltd. (formerly known as 杭州碧眼狐狸管理諮詢有限公司 Hangzhou Biyan Fox Management Consulting Co., Ltd) (6)(7)	PRC, limited liability company	RMB1,000,000	**60%**	60%	Provision of management consultancy services in the PRC

(1) Shares held directly by the Company.

(2) Please refer to note 31 to the consolidated financial statements for details of the deemed disposal and reorganization.

(3) Disposed of the whole or part of the Group's interests during the year.

(4) Newly incorporated during the year.

(5) The statutory financial statements of these companies for the year ended 31 December 2023 are audited by PricewaterhouseCoopers.

(6) The Company does not have direct or indirect legal ownership in the equity of these entities. However, under certain contractual agreements (including a power of attorney agreement, loan agreement, equity option agreement, equity interest pledge agreement and an exclusive technical consulting and service agreement) entered into with the direct or ultimate registered owners of these entities, the Company, through its indirectly wholly owned subsidiary, controls these entities by way of controlling the voting rights, governing the financial and operating policies, appointing or removing the majority of the members of its controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these entities to the Company and/or its indirectly owned subsidiaries. As a result, these entities are treated as subsidiaries of the Company and their financial statements have been consolidated by the Company.

(7) The names of the companies referred to above represent management's best effort in translating the Chinese names of the companies as no English names for these companies have been registered.

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, are summarized below.

	2023 HK$'000	2022 HK$'000 (Restated)	2021 HK$'000	2020 HK$'000	2019 HK$'000
Revenue – continuing operations	**1,344,031**	1,581,391	327,713	111,055	99,326
Loss before finance costs and taxation – continuing operations	**(116,031)**	(316,629)	(139,565)	(57,340)	(27,384)
Finance (costs)/income, net – continuing operations	**(3,605)**	(1,497)	(2,280)	1,172	(601)
Loss before taxation – continuing operations	**(119,636)**	(318,126)	(141,845)	(56,168)	(27,985)
Taxation – continuing operations	**69**	425	418	(406)	(785)
Non-controlling interests – continuing operations	**28,267**	46,618	31,025	–	–
Loss from continuing operations attributable to the equity holders of the Company	**(91,300)**	(271,083)	(110,402)	(56,574)	(28,770)
(Loss)/profit from discontinued operation attributable to the equity holders of the Company	**(5,787)**	1,103	–	–	–
Loss attributable to the equity holders of the Company	**(97,087)**	(269,980)	(110,402)	(56,574)	(28,770)
Property, plant and equipment	**5,453**	13,943	7,466	1,765	3,736
Right-of-use assets	**14,530**	41,732	61,914	68,165	20,536
Film rights and films production in progress	**–**	–	116,949	363,524	252,750
Intangible assets	**2,274**	4,527	4,793	–	–
Goodwill	**27,203**	27,853	30,397	–	–
Interest in associates	**228,033**	238,575	261,072	263,297	278,250
Financial asset at fair value through profit or loss	**14,905**	17,110	–	474	4,112
Other non-current assets	**45,798**	3,846	1,803	18,486	739
Other current assets	**188,096**	241,600	426,806	165,063	655,685
Total assets	**526,292**	589,186	911,200	880,774	1,215,808
Current liabilities	**267,301**	224,963	241,253	100,624	379,643
Non-current liabilities	**36,198**	14,298	11,047	3,558	2,955
Total liabilities	**303,499**	239,261	252,300	104,182	382,598
Net assets	**222,793**	349,925	658,900	776,592	833,210

CORPORATE COMMUNICATIONS

This annual report, in both English and Chinese versions, is available on the Company's website at www.huayitencent.com (the "Company Website") and the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

Registered Shareholders who have chosen (or are deemed to have consented) to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website, and who for any reason have difficulty in receiving or gaining access to the Corporate Communications posted on the Company Website will promptly upon request be sent the annual report in printed form free of charge.

Registered Shareholders may request for printed copy of the annual report and/or change their choice of language and means of receiving Corporate Communications by providing a reasonable prior notice in writing to the Company c/o the Hong Kong branch share registrar of the Company, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or by sending an e-mail to is-ecom@hk.tricorglobal.com.