2023
ANNUAL REPORT

Be Friends Holding Limited
交個朋友控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1450

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Jun (李鈞) *(Chairman)*
Mr. Lo Chi Sum (盧志森) *(Chief Executive Office)*
Mr. Li Liang (李亮)
Ms. Zhao Hui Li (趙慧利)

Independent non-executive Directors

Mr. Ma Zhan Kai (馬占凱)
Dr. Yu Guo Jie (余國杰)
Mr. Kong Hua Wei (孔華威)
(appointed on 1 December 2023)
Mr. Cui Xiao Bo (崔曉波)
(resigned on 1 December 2023)

AUDIT COMMITTEE

Dr. Yu Guo Jie *(Chairman)*
Mr. Ma Zhan Kai
Mr. Kong Hua Wei

REMUNERATION COMMITTEE

Mr. Ma Zhan Kai *(Chairman)*
Ms. Zhao Hui Li
Mr. Kong Hua Wei

NOMINATION COMMITTEE

Mr. Ma Zhan Kai *(Chairman)*
Mr. Li Jun
Mr. Kong Hua Wei

INVESTMENT COMMITTEE

Mr. Lo Chi Sum *(Chairman)*
Ms. Zhao Hui Li
Mr. Ma Zhan Kai

COMPANY SECRETARY

Ms. Chan Sze Ting *(FCG, HKFCG)*

AUTHORISED REPRESENTATIVES

Ms. Zhao Hui Li
Ms. Chan Sze Ting

REGISTERED OFFICE

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P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

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310056
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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New Territories
Hong Kong

AUDITOR

Mazars CPA Limited

LEGAL ADVISERS TO THE COMPANY AS TO HONG KONG LAW

King & Wood Mallesons

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank Co., Ltd

STOCK CODE

1450

WEBSITE AND CONTACT

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CHAIRMAN'S STATEMENT

Dear Shareholders,

The board of directors (the "**Board**") of Be Friends Holding Limited hereby presents the annual report of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**").

The Group is a leading all-media service provider in China, mainly providing services of comprehensive video application involving full-chain services including live-streaming, video content production, product sales and system maintenance to new media platforms, industrial customers and broadcasters etc. The Group has been committed to utilizing video technology and services for the further expansion of the Group's service capabilities in the all-media market, especially the new media market.

In 2023, despite the challenges in the external macro environment, we persisted in seizing the new opportunities brought about by domestic reforms and advanced to a new level in the field of all-media services. During the Reporting Period, the Group recorded a revenue of approximately RMB1.07 billion and an adjusted net profit* of approximately RMB180 million, which is basically in line with the performance expectations of the Board for the Reporting Period held at the beginning of the year. Meanwhile, we always adhered to the long-term corporate business strategy for the practical and gradual improvement of the experience of users, merchants, and partners. We pursue the stable and sustainable development of the Company. We focus on expanding, strengthening, and reinforcing competitive advantages for the Company.

BUSINESS REVIEW

New Media Services

The Group's new media service segment experienced rapid growth during the Reporting Period, recording a revenue of approximately RMB989 million and a gross profit of approximately RMB534 million. At the same time, the Group has more than 30 live broadcasting rooms on the three major new media platforms of Douyin, Taobao, and JD, with a total of more than 50 million fans, 11,000 cooperative brands, and a total Gross Merchandise Volume (GMV) for the year of RMB12 billion, of which the largest live broadcasting room "Douyin-Be Friends Live-streaming Channel" contributed approximately 33% of the GMV. In addition, we also had 10 live broadcasting rooms that recorded a GMV of over RMB200 million during the Reporting Period.

Our live-streaming e-commerce business is committed to building a long-term environment with trust for merchants and consumers, creating a shopping channel that satisfies both merchants and consumers, and being a reliable friend for partners. Accordingly, we continue to improve our product selection, strive to discover and promote high-quality products, and deliver products to consumers by providing good prices and high-quality services and using bottom-line thinking. We continue to expand our supply chain and upgrade our supply chain management system successively so that all cooperative merchants and brands can easily use the supply chain management system to complete the live-streaming e-commerce link, which will transform into the Group's supply chain capabilities and data value.

The Board has always attached great importance to the stability of the new media services segment, especially the live-streaming e-commerce business:

- Our live-streaming e-commerce accounts on Douyin, Taobao, and JD platforms are all self-owned accounts of the Group. Moreover, most of the live-streaming accounts are self-developed by the Group from scratch. On the one hand, this ensures that all live broadcasting rooms can effectively implement the unified standards and arrangements formulated by the Board, such as product selection standards, supply chain reuse, and sincere live-streaming style. On the other hand, the number of fans, customer base, brand awareness, etc. accumulated by all live-streaming channels have been transformed into valuable virtual assets of the Group.

* *For details of the adjusted net profit calculated by non-HKFRS measures, please refer to the paragraph headed "Reconciliation of Non-HKFRS Measures to the Nearest HKFRS Measures" in this report.*

- We have successfully developed a standardized and replicable "matrix live-streaming channel operation" model. Through a more professional and vertical matrix live-streaming channel, we can satisfy the diversified demands of consumers and increase the efficiency of user reach and transactions. As of the end of the Reporting Period, the total contribution of GMV by the Group's vertical live-streaming channels has exceeded 50% in a single month. As the scale continues to expand, its unique advantages will become more apparent.

- Comprehensive digitization has always been the top priority of the new media business segment. We continue to enhance the capabilities of system algorithms by refining the requirements of management, optimizing the cost model of each live-streaming channel through comprehensive digitization, and using digitization to improve the synergy among core businesses. Establishing the ability of comprehensive data-based operations not only effectively improves operational efficiency, but also helps us quickly standardize the replication of matrix live-streaming channels, thereby forming a scale advantage. At the same time, we built a "Friend Cloud" platform during the Reporting Period for the digitization and intelligence of the full-link process of live-streaming e-commerce.

Television Broadcasting Business

We persist in exploring the field of all-media services, continuously enhancing the synergy between the new media services segment and the television broadcasting business segment, and continue to maintain good and stable business cooperations with radio and television stations, new media institutions, and industry customers. In the television broadcasting business segment, the Group closely keeps up with the trend of localization of business in China and has developed more rapidly the layout of several benchmarking projects in the industry. Through technological iteration and industrial renewal, we are still able to earn a relatively leading position in segmented industries. Limited by the still sluggish environment of the radio and television industry and the decreased budgets of many major customers during the year, the revenue of the Group's television broadcasting business segment showed a decline during the Reporting Period. However, the Board adjusted its business strategy in a timely manner and strictly implemented cost and expense control. As a result, the profitability of the television broadcasting business segment basically met expectations during the Reporting Period.

OUTLOOK

As a new start to the future, we will make more effort to grasp the opportunities brought about by the continued economic recovery in China. The Group always believes that we will eventually become the benchmark and leader in the all-media service industry. We will adhere to the business strategy of multi-platform and matrix operation and promote the large-scale construction of vertical matrix live-streaming channels to accurately cover a more extensive range of audience and enhance consumer shopping convenience and diversity regarding choices.

- With respect to quality control, we will promote the construction of a comprehensive quality control system, improve the quality control standards and quality control processes of different categories on the basis of the existing quality control standards, introduce more scientific quality control methods, improve the team's product knowledge, compliance awareness and compliance level by targeted training, to drive the enhancement of the overall improvement of the Group's quality control capabilities.

- With respect to supply chain, on the basis of demands of different consumer groups, we will continue to expand the product matrix to meet the broader product demands from different groups of people in different regions. In addition, we will continue to strengthen and deepen the ability of the supply chain and deepen the layout of the industrial belt, fully connect the competitive place of origin and factory, enhance the supply chain control capabilities, and provide consumers with more cost-effective products.

- With respect to technology, on the basis of the existing big data platform of the Group, we will develop new technologies and improve existing technologies, enhance the efficiency and user experience of product selection and live streaming, so as to realize a more accurate link between goods and consumers.

- With respect to organization, we will continue to promote the construction of a learning and innovative organization, continuously optimize management and incentive methods, attract, train and retain outstanding talents, create an atmosphere of a learning organization, and encourage diversification and innovation based on the Company's values to adapt to the rapid iteration of the live-streaming e-commerce industry, thereby eventually becoming the benchmark and leader of the industry.

At the same time, we will also closely monitor the changes in the television broadcasting market and customer demands, actively participate in high-quality projects that create high gross profit and high impact, adjust the product structure, control costs and expenses. In addition, we will increase the utilization of technologies and products accumulated in the television broadcasting business, develop new hardware and software products that can adapt to the new media era, satisfy the transformation demands from customers of the television broadcasting business in the new-media era, and provide more diverse technology and product options for the new media services business of the Group.

APPRECIATION

Last but not least, I would like to take this opportunity, on behalf of the Board, to express my heartfelt gratitude to all employees and directors for their hard work, and to all our customers, business partners and shareholders of the Company for their support to the Group. We will adhere to sound management strategies, actively seize the opportunities according to market trends, continue to create higher value for customers and shareholders, make bigger contributions to society, and continue to promote the development and growth of the Group.

Li Jun
Chairman

26 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, our new media services segment continued to experience rapid growth, achieving a total GMV exceeding RMB12 billion, propelling us into the top tier of live-streaming e-commerce. Our television broadcasting business segment was able to sustain stable growth, maintaining a relatively leading position in the segmented industry through technological iteration and industrial renewal. Meanwhile, we actively embraced the new normal of China's full-media industry and made significant breakthroughs during the Reporting Period, setting a successful example for the full-media industry. This was made possible by our strategic layout in 2019, leveraging our deep technology expertise and rich experience in the live-streaming field. Through a series of measures such as technological innovation, diversified development, organizational optimization, and strategic cooperation, we seized the wave of China's new media and led the development of the field of new media, particularly in live-streaming e-commerce. During the Reporting Period, our revenue amounted to approximately RMB1,074.3 million, representing an increase of approximately 152.4% as compared to approximately RMB425.6 million for the year ended 31 December 2022 (the "**Corresponding Period of the Previous Year**"). Our adjusted net profit* for the Reporting Period was approximately RMB180.4 million, compared to approximately RMB25.7 million for the Corresponding Period of the Previous Year, representing an increase of approximately 601.3%.

As a technology-driven full-media services provider, the Group's advantages in the new media services segment primarily lie in three aspects: highly precise customer base, standardized operational capabilities, and digital innovation capabilities. These are the core elements that the Group has focused on building during the Reporting Period, and together they constitute the Group's core competitiveness in the market, driving our steady development. As of now, the Group has established over 30 broadcasting rooms with a total fan base exceeding 50 million. We have completed "multi-platform deployment" on platforms such as Douyin, Taobao and JD, and successfully developed a standardized and replicable "matrix broadcasting room operation" model. Through more professional and vertical matrix broadcasting rooms, we cater to diverse consumer needs to make user reach and transactions more efficient. Meanwhile, during the Reporting Period, the Group gradually built up "Friend Cloud" platform, achieving automation of the entire process in live-streaming e-commerce.

The Group has always placed great importance on the synergy between core businesses to ensure the Group's correct, long-term, and healthy growth and profitability. We strive for continuous innovation, leading industry development, and constantly strengthening our ecological capabilities. During the Reporting Period, the Group acquired Beijing Be Friends Digital Technology Company Limited** (北京交個朋友數碼科技有限公司), completing the closed-loop capability of our new media services. We further optimized the supply chain management system, aiming to make it convenient for all partner businesses and brands to use the system, significantly improving daily operational efficiency. At the same time, we continued to increase investment in software, systems, and data value, establishing comprehensive data-driven operational capabilities. This effort has helped increase the number of broadcasting rooms owned by the Group from 15 to over 30. Importantly, this "infrastructure construction" enables the Group to rapidly deploy standardized and replicable matrix broadcasting rooms, demonstrating the Board's keen insight into market changes and forward-thinking business mindset.

* *For details of the adjusted net profit calculated by non-HKFRS measures, please refer to the paragraph headed "Reconciliation of Non-HKFRS Measures to the Nearest HKFRS Measures" in this report.*

** *The official name is in Chinese and the English name is translated for identification purpose only.*

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has always adopted a long-term approach to build the "Be Friends" brand, aiming to become a trusted friend for both consumers and businesses. As live-streaming e-commerce enters a new stage of higher-quality development, we clearly recognise that solving the trust issues of both consumers and businesses is essential for success in live-streaming e-commerce. The increasing recognition of the "Be Friends" brand by more and more friends is not only due to the steady improvement of our front, middle, and back-end capabilities in the supply chain, product selection, operations, anchors, and informatization but also stems from our sincere and straightforward broadcasting style, positive consumer reputation, consistent benefits for businesses, and our genuine attitude towards after-sales service. These aspects collectively contribute to the "trust" we have built, making us successful in creating a channel brand that businesses and consumers rely on.

With strict control on product quality and our outstanding market competitiveness, brand service capabilities, commercial performance, and potential for value growth, during the Reporting Period, the Group has received more than 20 awards from government or media. These awards include recognition at the Douyin E-commerce Ecology Conference (抖音電商生態大會) as the Annual Influential Author (年度影響力作者) and the Annual Influential MCN (年度影響力MCN機構), as well as being selected as the 2023 Commercially Valuable MCN (2023年度商業價值機構) at the 30th China International Advertising Festival (第30屆中國國際廣告節). Additionally, the "Be Friends" joint production short video was honored with the highest honor, the 2023 Effie Award (2023艾菲獎), at the International Advertising Festival (國際廣告節). These awards not only affirm our achievements in business value and market influence over the past year but also recognise the Group's spirit of continuous innovation and breakthroughs. As a leading enterprise in live-streaming e-commerce, the Group has always adhered to compliant operations and actively fulfilled corporate social responsibilities to support the development of the real economy. During the Reporting Period, we donated RMB1 million towards flood relief efforts in the Beijing-Tianjin-Hebei region and RMB2 million for earthquake relief efforts in Gansu and Qinghai. We also launched special sessions in direct broadcasting to support relief efforts in Zhuozhou, selling "encourage packages" and other items for affected companies, we have paid special attention to agricultural product sales and rural revitalization efforts, hosting a total of 26 sessions of public welfare direct broadcasting for rural revitalization, with cumulative sales exceeding RMB236 million.

During the Reporting Period, we continued to allocate reasonable resources to the television broadcasting business segment, maintaining good and stable business cooperation relationships with radio and television broadcasters, new media organizations and industry customers. In the television broadcasting business segment, we remained focused on projects offering higher gross profit margins or more favorable payment terms to sustain stable operations, while strictly implementing measures for cost and expense control. In order to meet the transformation needs of the full-media industry, we conducted technical iterations on our products. The Group's subsidiary, Cogent (Beijing) Technology Company Limited ("**Cogent (Beijing)**")** (高駿(北京)科技有限公司) upgraded the television broadcasting system commonly used in the broadcasting industry to make it smaller, lighter, and easier to operate, and successfully developed an integrated four-camera broadcasting product, which can be widely used in industries such as conferences, healthcare, and education for broadcasting purposes. It can also be applied in new media broadcast rooms and outdoor broadcasting, significantly reducing the cost of broadcast system construction.

** *The official name is in Chinese and the English name is translated for identification purpose only.*

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

Looking forward, we will better grasp the opportunities brought by the sustained recovery of the Chinese economy and the thriving development of new media. In the new media service segment, the Group will deepen our supply chain capabilities and fully embrace data-driven operations. We will continue to expand our cross-platform, standardized and replicable matrix broadcasting rooms, advancing the construction scale of these rooms. We aim to provide consumers with richer product choices, higher-quality services, more convenient shopping channels, and better shopping experiences. Similarly, we seek to offer businesses more efficient and stable sales and promotion channels. To achieve these goals, the Group will continue to intensify the investment in our supply chain depth, full data-driven operations, "Friend Cloud" and talent development. We will utilize "Technology + Talent" to empower our broadcast rooms in order to improve decision-making accuracy, operational efficiency, customer stickiness, etc. in various aspects.

We will firmly deepen our presence in the field of full-media services. In the television broadcasting business segment, we will continue to strengthen technological and product iterations, enrich our product structure, and enhance our market competitiveness in the field of broadcasting transmission. Meanwhile, we will maintain our focus on high-quality projects with high gross profit margins and rigorously implement cost and expense control. Furthermore, the Group will also closely monitor changes and demands in the television broadcasting market. Leveraging the technological and customer resources accumulated over the past decade, we will continue to strive to develop high-quality software and hardware products that meet the needs of the new media era. Together with our broadcasting customers, we aim to embrace the era of new media.

In order to create more value for shareholders of the Company, the Company will consider exercising the Repurchase Mandate* in accordance with Rule 10.06 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") when appropriate.

* *The Repurchase Mandate is the general unconditional mandate granted to the Directors to repurchase shares of the Company at the annual general meeting of the Company.*

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Based on the financial information, the Group's revenue increased by approximately 152.4% to approximately RMB1,074.3 million (2022: approximately RMB425.6 million) during the Reporting Period. The increase in revenue during the Reporting Period was mainly attributable to the significant increase in revenue generated from new media services of the Group on new media platforms such as Douyin, Taobao and JD. The table below sets out the revenue of each of the Group's business segments for the years ended 31 December 2023 and 2022 respectively:

	For the year ended 31 December			
	2023		2022	
	RMB'000	% of total revenue	RMB'000 (represented)*	% of total revenue
Segment revenue				
New media services	**988,732**	**92.0**	302,511	71.1
Television broadcasting business	**85,603**	**8.0**	123,095	28.9
Total	**1,074,335**	**100.0**	425,606	100.0

New media services

Revenue generated from the new media services segment represented approximately 71.1% and 92.0% of the total revenue of the Group for the Corresponding Period of the Previous Year and the Reporting Period, respectively. Such revenue increased from approximately RMB302.5 million for the Corresponding Period of the Previous Year to approximately RMB988.7 million for the Reporting Period. The increase was mainly due to the Group's establishment of high-quality brands for broadcasting e-commerce and new media marketing channels during the Reporting Period, as well as the successful realization of cross-platform operations on Douyin, Taobao and JD.

Television broadcasting business

Revenue generated from the television broadcasting segment represented approximately 28.9% and 8.0% of the total revenue of the Group for the Corresponding Period of the Previous Year and the Reporting Period, respectively. Such revenue decreased from approximately RMB123.1 million for the Corresponding Period of the Previous Year to approximately RMB85.6 million for the Reporting Period. The decrease was mainly due to the reduction in budgets or the postponement of projects by certain major customers of the Group during the Reporting Period.

* *The comparative segment information has been represented to reflect the change of the reporting segments of the Group. Please refer to Note 5 of the notes to consolidated financial statement in this annual report.*

Cost of sales

The Group's cost of sales increased by approximately 123.2% from approximately RMB227.4 million for the Corresponding Period of the Previous Year to approximately RMB507.4 million for the Reporting Period. The table below sets out the cost of sales of each of the Group's business segments for the years ended 31 December 2023 and 2022 respectively:

	For the year ended 31 December			
	2023		2022	
	RMB'000	**% of total cost**	RMB'000 (represented)*	% of total cost
Segment cost of sales				
New media services	**454,820**	**89.6**	147,424	64.8
Television broadcasting business	**52,605**	**10.4**	79,934	35.2
Total	**507,425**	**100.0**	227,358	100.0

New media services

The cost of sales of new media services segment increased by approximately 208.5% from approximately RMB147.4 million for the Corresponding Period of the Previous Year to approximately RMB454.8 million for the Reporting Period. The increase was mainly due to the substantial increase in revenue from the Group's new media services business segment during the Reporting Period, which resulted in a corresponding increase in the cost of sales of the new media services business segment.

Television broadcasting business

The cost of sales of the television broadcasting segment decreased by approximately 34.2% from approximately RMB79.9 million for the Corresponding Period of the Previous Year to approximately RMB52.6 million for the Reporting Period. The decrease was mainly due to the corresponding decrease in costs of sales as a result of the decrease in segment revenue during the Reporting Period.

* *The comparative segment information has been represented to reflect the change of the reporting segments of the Group. Please refer to Note 5 of the notes to consolidated financial statement in this annual report.*

Gross profit and gross profit margin

The Group's gross profit was approximately RMB198.2 million and approximately RMB566.9 million for the Corresponding Period of the Previous Year and the Reporting Period, respectively, representing an increase of approximately 186.0%. The Group's gross profit margin was approximately 46.6% and approximately 52.8% for the Corresponding Period of the Previous Year and the Reporting Period, respectively. The following table sets out the gross profit and gross profit margin of each of the Group's business segments for the years ended 31 December 2023 and 2022 respectively:

	For the year ended 31 December			
	2023		2022	
	RMB'000	**Gross profit margin**	RMB'000 (represented)*	Gross profit margin
Segment gross profit and gross profit margin				
New media services	**533,912**	**54.0%**	155,087	51.3%
Television broadcasting business	**32,998**	**38.5%**	43,161	35.1%
Total	**566,910**	**52.8%**	198,248	46.6%

New media services

The gross profit margin of the new media services segment increased from approximately 51.3% for the Corresponding Period of the Previous Year to approximately 54.0% for the Reporting Period. The Group believes the change was within a reasonable range in its normal operation.

Television broadcasting business

The gross profit margin of the television broadcasting business segment increased from approximately 35.1% for the Corresponding Period of the Previous Year to approximately 38.5% for the Reporting Period. It was mainly due to the Group's increased application of national brand resolutions, resulting in a decrease of corresponding procurement costs and an increase of profit margin during the Reporting Period.

Other gains (losses), net

Other gains, net was approximately RMB8.9 million for the Reporting Period while other losses, net was approximately RMB3.8 million for the Corresponding Period of the Previous Year. The increase was mainly due to the increase in government grants and the decrease in fair value losses on financial assets at fair value through profit or loss during the Reporting Period.

* *The comparative segment information has been represented to reflect the change of the reporting segments of the Group. Please refer to Note 5 of the notes to consolidated financial statement in this annual report.*

Administrative expenses

Administrative expenses were approximately RMB107.8 million and approximately RMB173.6 million for the Corresponding Period of the Previous Year and the Reporting Period, respectively, representing an increase of approximately 61.0%. The increase in administrative expenses was mainly due to the increase in wage and salary expenses for the recruitment and reserve scheme for administrative management personnel as well as the increase in share-based payment for certain outstanding administrative management personnel for the purpose of providing long-term incentives during the Reporting Period.

Selling expenses

Selling expenses were approximately RMB70.9 million and approximately RMB261.7 million for the Corresponding Period of the Previous Year and the Reporting Period, respectively, representing an increase of approximately 269.1%. The increase in selling expenses was mainly due to the increase in wage and salary expenses for the recruitment and reserve scheme for marketing personnel as well as the increase in share-based payment for certain outstanding marketing personnel for the purpose of providing long-term incentives during the Reporting Period.

Finance costs, net

Finance costs, net were approximately RMB11.6 million and approximately RMB13.3 million for the Corresponding Period of the Previous Year and the Reporting Period, respectively, representing an increase of approximately 14.7%. The increase in finance costs, net was due to the increase in losses on foreign exchange during the Reporting Period.

Income tax expense

Income tax expense for the Reporting Period was approximately RMB25.5 million while income tax expense for the Corresponding Period of the Previous Year was approximately RMB10.3 million. The increase in income tax expense was mainly due to the increase of the Group's profit during the Reporting Period.

Profit (Loss) for the year

As a result of the foregoing factors, the profit attributable to owners of the Company of approximately RMB119.5 million was recorded for the Reporting Period, while the loss attributable to owners of the Company of approximately RMB9.2 million was recorded for the Corresponding Period of the Previous Year.

Reconciliation of Non-HKFRS Measures to the Nearest HKFRS Measures

To supplement the consolidated financial statements, which are presented in accordance with HKFRSs, the Company also uses adjusted net profit as additional financial measures, which are not required by, or presented in accordance with, HKFRSs. The Company believes adjusted net profit facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items which the management considers non-indicative of operating performance of the Group, such as certain non-cash items, one-off items or items which are not operating in nature.

The Company believes adjusted net profit provides useful information in understanding and evaluating its consolidated results of operations in the same manner as they help our management. However, the presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of adjusted net profit has limitations as an analytical tool, and anyone should not consider it in isolation from, or as a substitute for an analysis of, its results of operations or financial condition as reported under HKFRSs. In addition, these non-HKFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies.

The following table sets forth the reconciliations of non-HKFRS financial measures of the Group for the years ended 31 December 2023 and 2022, respectively, to the nearest measures prepared in accordance with HKFRS:

	2023 **RMB'000**	2022 RMB'000
Profit (Loss) for the year	**113,971**	(16,391)
Adjusted for:		
Share based payment expenses	**83,713**	23,422
Change in fair value of contingent consideration receivable	**(17,325)**	–
Fair value losses on financial assets at FVPL	**–**	12,139
Amortisation of deferred day-one loss	**–**	6,546
Adjusted net profit	**180,359**	25,716

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net cash inflow from the Group's operating activities amounted to approximately RMB183.0 million for the Reporting Period and net cash outflow used in the Group's operating activities amounted to approximately RMB2.1 million for the Corresponding Period of the Previous Year.

Net cash outflow used in the Group's investing activities amounted to approximately RMB74.5 million for the Reporting Period and net cash inflow from the Group's investing activities amounted to approximately RMB32.3 million for the Corresponding Period of the Previous Year.

Net cash outflow used in the Group's financing activities amounted to approximately RMB10.3 million for the Reporting Period and net cash outflow used in the Group's financing activities amounted to approximately RMB34.8 million for the Corresponding Period of the Previous Year.

The total bank and other borrowings of the Group increased from approximately RMB126.8 million as at 31 December 2022 to approximately RMB133.9 million as at 31 December 2023. The increase was mainly attributable to the increased efficiency in the use of funds during the Reporting Period.

As at 31 December 2023, the Group had current assets of approximately RMB527.3 million (as at 31 December 2022: approximately RMB352.9 million) and current liabilities of approximately RMB408.2 million (as at 31 December 2022: approximately RMB318.2 million). The current ratio (which is calculated by dividing current assets by current liabilities) slightly increased to approximately 1.29 as at 31 December 2023 from approximately 1.11 as at 31 December 2022.

Bank balances and cash of the Group as at 31 December 2023 were mainly denominated in Renminbi ("**RMB**") and Hong Kong Dollar ("**HKD**").

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollars ("**USD**"), Japanese Yen ("**JPY**") and HKD. Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are denominated in non-RMB.

The management of the Group has set up a policy to require the Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to control the exposure of the foreign currency during the business operation. The foreign currency exposure is mainly due to the purchase of the equipment from other countries and the management controls on the payment schedule to reduce the foreign exchange risk. Save for certain bank balances, accounts payables and loans are denominated in USD, JPY and HKD, the impact of foreign exchange exposure on the Group was minimal and there was no significant adverse effect on normal operations. During the Reporting Period, the Group did not commit to any financial instruments to hedge its exposure to foreign exchange risk. However, the management of the Group monitors foreign exchange exposure of the Group and will consider hedging significant foreign currency exposure should the need arise.

INTEREST RATE RISK

Other than bank balances with variable interest rates, the Group has no other significant interest-bearing assets. The management of the Group does not anticipate significant impact on interest-bearing assets resulting from the changes in interest rates since the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from bank and other borrowings. Bank and other borrowings with variable rates expose the Group to cash flow interest rate risk which is partially offset by bank balances held at variable rates. The Group has not hedged its cash flow interest rate risks.

CHARGE OVER ASSETS OF THE GROUP

As at 31 December 2023, bank borrowings of RMB12,500,000 (2022: RMB29,500,000) are secured by the buildings with carrying amount of RMB22,847,000 (2022: RMB25,333,000).

GEARING POSITION

The gearing ratio, which represented net debt (total debts less long-term bank deposits, pledged bank deposits and bank balances and cash) divided by total equity multiplied by 100%, was approximately 88.3% and 0.1% as at 31 December 2022 and 2023, respectively. Such decrease was mainly attributable to the significant increase in the Group's bank balances and cash at the end of the year to offset total debts.

CONTINGENCIES

As at 31 December 2023, the Directors were not aware of any significant events that would have resulted in material contingent liabilities.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS HELD

There was no material acquisitions or disposal of subsidiaries, associates and joint ventures during the Reporting Period. There is no plan for material investments or capital assets as at the date of this annual report. There are no significant investments held by the Company during the Reporting Period.

SHARE AWARD PLANS

2022 Share Award Plan

In order to comply with the requirements of the new Chapter 17 of the Listing of Securities on the Stock Exchange (the "**Listing Rules**") which has become effective on 1 January 2023 (the "**New Chapter 17**"), the Company adopted a share award plan (the "**2022 Share Award Plan**") on 8 December 2022.

(a) Summary of terms

(i) Purpose and participants

The purposes and objectives of the 2022 Share Award Plan are (a) to recognise and reward the contribution of certain eligible participants to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (b) to attract suitable personnel for further development of the Group.

The following classes of participants are eligible for participation in the 2022 Share Award Plan (the "**2022 Share Award Plan Selected Participants**"):

(a) any director and employee of the Company or the Group;

(b) any directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company; and

(c) any persons providing services to the Group on a continuing basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group (the "**2022 Share Award Plan Service Provider**"). The 2022 Share Award Plan Service Provider shall include any contractor, adviser, consultant or expert who provides advisory services, consultancy services, sales and marketing services and technology services to any member of the Group on a continuing or recurring basis (where the continuity and frequency of their services are akin to those of employees of the Group) in its ordinary and usual course of business which are in the interests of the long-term growth of the Group provided that (i) placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, or (ii) professional service providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity must not be Service Provider for the purposes of the 2022 Share Award Plan.

(ii) Award of Shares and pool of awarded Shares

The total number of Shares which may be issued in respect of all options and awards to be granted under the 2022 Share Award Plan and other share schemes of the Company shall not be more than 10% of the total number of issued Shares as at 8 December 2022, i.e. shall be no more than 131,127,099 Shares, representing 9.43% of the issued Shares as at this date of this annual report.

The total number of Shares which may be issued in respect of the awarded Shares to be granted to 2022 Share Award Plan Service Provider under the 2022 Share Award Plan shall not be more than 0.5% of the total number of issued Shares as at 8 December 2022, i.e. shall be no more than 6,556,354 Shares, representing 0.47% of the issued Shares as at this date of this annual report.

Tricor Trust (Hong Kong) Limited ("**Trustee**") may by utilising the trust fund of the trust to purchase the Shares on the Stock Exchange at the prevailing market price (subject to the maximum price as may be prescribed from time to time by the Board or the person(s) from time to time delegated by the Board with the power and authority to administer the 2022 Share Award Plan (the "**Committee**")), or off-market or by subscription (as the case may be).

(iii) *Maximum entitlement of each participant*

The maximum number of Shares, in a 12-month period up to and including the date of award, which may be subject to an award or awards to a 2022 Share Award Plan Selected Participant together with any Shares issued and to be issued under any options granted to such person under any share option schemes of the Company shall not (i) in aggregate exceed 1% of the issued share capital of the Company as at 8 December 2022; and (ii) exceed any limits applicable to such person under the Listing Rules.

Any grant of awards to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the remuneration committee of the Board (excluding any member who is a proposed recipient of the grant of the award) and the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of awards). In addition:

(a) where any grant of awards (excluding grant of share options) to any Director (other than an independent non-executive Director) or chief executive of the Company, or any of their respective associates, would result in the Shares issued and to be issued in respect of all awards granted (excluding any awarded Shares lapsed in accordance with the terms of the 2022 Share Award Plan) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue at the date of such grant; or

(b) where any grant of Awards to an independent non-executive Director or substantial shareholder of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon the grant of all awards and exercise of all options already granted (excluding any awarded Shares lapsed in accordance with the terms of the 2022 Share Award Plan) to such person in the 12 month period up to and including the date of such grant representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of Shares in issue,

such further grant of awarded Shares must be approved by Shareholders in general meeting in the manner required, and subject to the requirements set out, in the Listing Rules. In particular, the Company must send a circular to the Shareholders. The 2022 Share Award Plan Selected Participants, his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting. The Company must comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules.

(iv) *Vesting of the awarded Shares and performance targets*

At the time of grant of the awarded Shares, the Board or the Committee may, in its sole and absolute discretion, specify any performance target(s) for vesting of awarded Shares in the award notice. Such performance targets may include financial and non-financial parameters, including but not limited to value creation parameters (such as revenue, gross profit and gross merchandise value) and other strategic and organizational health parameters (such as timeliness and accuracy in handling customer feedback and compliance with internal business procedures).

(v) *Purchase price of Awarded Shares*
The Board and the Committee may determine and specify the purchase price of the awarded Shares (if any) in the notice to be sent to the Trustee upon the making of an award under the 2022 Share Award Plan.

(vi) *Basis of determining the purchase price of the awarded Shares*
The purchase price of the awarded Shares (if any) shall be such price determined by the Board or the Committee, based on considerations such as the prevailing closing price of the Shares, the purpose of the award and the characteristics and profile of the 2022 Share Award Plan Selected Participants.

Such room for discretion provides the Board and the Committee with flexibility to stipulate, if necessary, a purchase price for awarded Shares, while balancing the purpose of the award and the interests of Shareholders.

(vii) *Remaining life*
Subject to early termination, the 2022 Share Award Plan shall be valid and effective for a term of 10 years commencing from 8 December 2022. As at the date of this annual report, the 2022 Share Award Plan had a remaining life of approximately 9 years.

(b) Movement of the awarded Shares

Pursuant to 2022 Share Award Plan, the Board has resolved on 10 January 2023 to award an aggregate of 74,471,230 awarded shares (the "**2023 First Half Year Awarded Shares**") at nil consideration to sixty-eight selected participants, including the conditional grant of 39,338,200 awarded shares (the "**Conditional Grant**") to Mr. Li Liang (an executive Director) which was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 27 February 2023. And the Board has resolved on 31 August 2023 to award an aggregate of 5,411,330 awarded shares (the "**2023 Second Half Year Awarded Shares**") at nil consideration to eighty selected participants. Subject to the satisfaction of the vesting criteria and conditions of the 2022 Share Award Plan, the 2023 First Half Year Awarded Shares and 2023 Second Half Year Awarded Shares shall be transferred from Trustee to the selected participants upon expiry of the respective vesting period.

The closing price of the Shares, immediately before the grant date of the 2023 First Half Year Awarded Shares excluding the Conditional Grant (the "**Unconditional Grant**"), the Conditional Grant and the 2023 Second Half Year Awarded Shares was HKD1.90, HKD2.25 and HKD1.48 respectively. The aggregated fair value of the 2023 First Half Year Awarded Shares amounted to HKD145,513,260, amongst which, the fair value of the Unconditional Grant and the Conditional Grant amounted to approximately HKD66,050,096 and HKD79,463,164 respectively. The fair value of the 2023 Second Half Year Awarded Shares amounted to HKD8,008,768. The fair value of the Unconditional Grant, the Conditional Grant and the 2023 Second Half Year Awarded Shares were estimated based on the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on 10 January 2023, 27 February 2023 and 31 August 2023, respectively, being the grant date defined under the Hong Kong Financial Reporting Standards 2 Share-based Payment requirement, which must be a business day and if subject to shareholder's approval, is the date when approval is obtained.

The 2023 First Half Year Awarded Shares and the 2023 Second Half Year Awarded Shares have been issued and allotted under the mandate granted to the Directors by the Company pursuant to the terms of the 2022 Share Award Plan. At the beginning and the end of the Reporting Period, the total number of award Shares available for grant under (i) the scheme mandate of the 2022 Share Award Plan were 131,127,099 Shares and 51,556,931 Shares, respectively and (ii) the service provider sublimit of the 2022 Share Award Plan were 6,556,354 Shares and 5,356,354 Shares, respectively. Subject to the satisfaction of the vesting criteria and conditions of the 2022 Share Award Plan, the 2023 First Half Year Awarded Shares and the 2023 Second Half Year Awarded Shares shall be transferred from the Trustee to the selected participants upon expiry of the respective vesting periods. As at 31 December 2023, 60,562,488 awarded Shares remained unvested. For further details, please refer to Note 24(ii) of the notes to the consolidated financial statements.

Movement of the 2023 First Half Year Awarded Shares and 2023 Second Half Year Awarded Shares granted under the 2022 Share Award Plan during the Reporting Period is as follows:

					Movement of Awarded Shares				
Name of Director	Date of Award	Vesting Period (i.e. from the grant date up to the vesting date)	Minimum holding period	Number of Awarded Shares granted	Unvested as at 1 January 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Unvested as at 31 December 2023
Li Liang	10 January 2023 (Note 1)	34%: 10 January 2023 to 30 April 2024 33%: 10 January 2023 to 30 April 2025 33%: 10 January 2023 to 30 April 2026	Nil	39,338,200	–	39,338,200	–	–	39,338,200
Zhao Hui Li ("**Ms. Zhao**")	10 January 2023 (Note 2)	34%: 10 January 2023 to 31 July 2023 33%: 10 January 2023 to 31 July 2024 33%: 10 January 2023 to 31 July 2025	Nil	1,000,000	–	1,000,000	340,000	–	660,000
Sub-total				40,338,200	–	40,338,200	340,000	–	39,998,200

Selected participants	Date of Award	Vesting Period (i.e. from the grant date up to the vesting date)	Minimum holding period	Number of Awarded Shares granted	Movement of Awarded Shares: Unvested as at 1 January 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Unvested as at 31 December 2023
Employee participants	10 January 2023 (Note 3)	60%: 10 January 2023 to 28 February 2023 20%: 10 January 2023 to 31 July 2023 20%: 10 January 2023 to 31 January 2024	28 February 2023 to 30 November 2023 31 July 2023 to 30 April 2024 31 January 2024 to 31 October 2024	17,947,630	–	17,947,630	14,045,712	312,392	3,589,526
	10 January 2023 (Note 2)	34%: 10 January 2023 to 31 July 2023 33%: 10 January 2023 to 31 July 2024 33%: 10 January 2023 to 31 July 2025	Nil	9,345,400	–	9,345,400	3,177,436	–	6,167,964
	10 January 2023 (Note 4)	34%: 10 January 2023 to 31 January 2024 33%: 10 January 2023 to 15 January 2025 33%: 10 January 2023 to 30 January 2026	Nil	5,640,000	–	5,640,000	–	–	5,640,000
	31 August 2023 (Note 5)	40%: 31 August 2023 to 31 October 2023 30%: 31 August 2023 to 31 January 2024 30%: 31 August 2023 to 31 July 2024	31 October 2023 to 30 June 2024 31 January 2024 to 30 September 2024 31 July 2024 to 31 March 2025	3,611,330	–	3,611,330	1,444,532	–	2,166,798
	31 August 2023 (Note 6)	34%: 31 August 2023 to 31 July 2024 33%: 31 August 2023 to 31 July 2025 33%: 31 August 2023 to 31 July 2026	Nil	1,800,000	–	1,800,000	–	–	1,800,000
Sub-total				38,344,360	–	38,344,360	18,667,680	312,392	19,364,288
A service provider	10 January 2023 (Note 7)	50%: 10 January 2023 to 31 January 2024 50%: 10 January 2023 to 15 January 2025	Nil	1,200,000	–	1,200,000	–	–	1,200,000
Total				79,882,560	–	79,882,560	19,007,680	312,392	60,562,488

Note 1: The performance targets applicable to Mr. Li Liang include operational performance targets and financial performance targets. For details, please refer to the announcement of the Company dated 10 January 2023 and the circular of the Company dated 7 February 2023.

Note 2: The performance targets applicable to the employees participants of this batch (including Ms. Zhao) include, among others, settled GMV, settled revenue, gross profit, completion ratio of material projects, efficiency of business and financial system and improvement level for medium and long-term informatization strategic planning and implementation planning.

Note 3: The performance targets applicable to the employees participants of this batch include, among others, settled GMV, settled revenue, gross profit, project implementation completion, accuracy of cost analysis and control, live streaming accident rate, media traffic delivery effectiveness and customer satisfaction level.

Note 4: The performance targets applicable to the employees participants of this batch include, among others, settled GMV, settled revenue, gross profit and effectiveness of investor relations.

Note 5: The performance targets applicable to the employees participants of this batch include, among others, settled GMV, settled revenue, gross profit, live-streaming accident rate and cost control rate.

Note 6: The performance targets applicable to the employees participants of this batch include, among others, settled GMV, settled revenue, gross profit, net profit, performance management completion rate and compliance risk control rate.

Note 7: The performance targets applicable to the service provider of this batch include, among others, number of successful new media marketing projects introduced to the Group, number of new media streamers introduced and improvement of the Group's overall marketing capability, indicators such as the number of new media content produced by the Group under the guidance of the service provider.

Note 8: Save as disclosed above, there is no any other information required to be disclosed pursuant to Rule 17.07 of the Listing Rules.

Note 9: The purchase price of all Awarded Shares set out in the table above is nil.

Note 10: The weighted average closing price of the Awarded Shares immediately before the dates on which Awarded Shares were vested during the Reporting Period was HKD1.94.

Note 11: The Company has established an appraisal mechanism to evaluate the performance of each selected participant on a quarterly basis for his/her quarter performance and full-year performance from 1 January to 31 December each year. The performance targets of the Awarded Shares are individualised based on the job nature and job positions of each selected participant and the projected market and business conditions for the period each covered.

Save as disclosed above, the Company had no other awarded Shares granted under the 2022 Share Award Plan during the Reporting Period.

2014 Share Award Plan

In order to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted the share award plan (the "**2014 Share Award Plan**") on 24 March 2014 and it has been terminated on 29 December 2023.

(a) Summary of terms

(i) Purpose and participants

The purpose of the 2014 Share Award Plan is to recognise and reward the contribution of certain selected participants to the growth and development of the Group, to give incentives thereto 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 through an award of the Shares. The Board shall, subject to and in accordance with the rules of the 2014 Share Award Plan, be entitled to make an award of Shares to any person belonging to any of the following classes of participants:

(aa) any employee (whether full-time or part-time), including any executive director of the Company, any of the subsidiaries or any entity (the "**2014 Share Award Plan Invested Entity**") in which any member of us holds an equity interest (the "**2014 Share Award Plan Eligible Employee**");

(bb) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any 2014 Share Award Plan Invested Entity;

(cc) any supplier of goods or services to any member of us or any 2014 Share Award Plan Invested Entity;

(dd) any customer of any member of the Group or any 2014 Share Award Plan Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of us or any 2014 Share Award Plan Invested Entity;

(ff) any shareholder of any member of us or any 2014 Share Award Plan Invested Entity or any holder of any securities issued by any member of us or any 2014 Share Award Plan Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of us or any 2014 Share Award Plan Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to our development and growth;

and, for the purposes of the Share Award Plan, the award may be made to any company wholly owned by one or more of the above participants.

The eligibility of any of the above classes of participants to an award shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution and/or future contribution to the development and growth of the Group.

(ii) *Award of Shares and pool of awarded Shares*

The Board shall notify Teeroy Limited (the "**2014 Share Award Plan Trustee**") in writing upon the making of an award to an eligible participant (the "**Selected Participant**") under the Share Award Plan. Upon the receipt of such notice, the 2014 Share Award Plan Trustee shall set aside the appropriate number of awarded Shares pending the transfer and vesting of the same to the Selected Participant out of a pool of Shares (the "**Shares Pool**") comprising the following:

(aa) such Shares as may be (1) transferred to the 2014 Share Award Plan Trustee from any person (other than the Group) by way of gift, or (2) purchased by the 2014 Share Award Plan Trustee by utilising the funds received by the 2014 Share Award Plan Trustee from any person (other than the Group) by way of gift, but subject to the limitations set out in paragraph (iv) below;

(bb) such Shares as may be purchased by the 2014 Share Award Plan Trustee on the Stock Exchange by utilising the funds allocated by the Board out of the Company's resources (the "**Group Contribution**"), but subject to the limitations set out in paragraph (iv) below;

(cc) such Shares as may be subscribed for at par value by the 2014 Share Award Plan Trustee by utilising Group Contribution, but subject to the limitations set out in (iv) below; and

(dd) such Shares which remain unvested and revert to the 2014 Share Award Plan Trustee in accordance with the rules of the Share Award Plan.

The making of an award to any connected person must be approved by majority of the independent non-executive Directors at the relevant time. The Company will comply with the applicable provisions of Chapter 14A of the Listing Rules or otherwise in compliance with the requirements of the Listing Rules when making awards to connected persons.

After an award is made, the Board shall notify the Selected Participant who may decline to accept such award by notifying us in writing within the prescribed period in accordance with the rules of the Share Award Plan. Unless so declined by the Selected Participant, the award shall be deemed irrevocably accepted by the Selected Participant.

(iii) *Subscription and purchase of Shares by the 2014 Share Award Plan Trustee*

(aa) The 2014 Share Award Plan Trustee may purchase Shares on the Stock Exchange at the prevailing market price or off the market. In respect of off-market transactions, purchases shall not be made with any connected person, nor shall the purchase price be higher than the lower of the following:

(1) the closing market price on the date of such purchase; and (2) the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

(bb) In the event that the Board considers it appropriate for the 2014 Share Award Plan Trustee to subscribe Shares by utilising the Group Contribution, the 2014 Share Award Plan Trustee shall, upon the instructions of the Board, apply to the Company for the allotment and issue of the appropriate number of new Shares as instructed by the Board. Such allotment and issue shall only be made upon (i) shareholders' approval in general meeting to authorise the Directors to allot and issue new Shares to the 2014 Share Award Plan Trustee, subject to the limitations set out in paragraph (iv) below; and (ii) the Listing Committee of the Stock Exchange has granted the listing of and permission to deal in such Shares, which may be allotted and issued by the Company to the 2014 Share Award Plan Trustee pursuant to the Share Award Plan.

(iv) *Maximum number of Shares to be subscribed and purchased*
In any given financial year of the Company, the maximum number of Shares (the "**Max Shares Annual Threshold**") to be subscribed for and/or purchased by the 2014 Share Award Plan Trustee by applying the Group Contribution for the purpose of the 2014 Share Award Plan shall be fixed by the Board at the beginning of such financial year (after having regard to all the relevant circumstances and affairs including the business and financial performance during the preceding financial year, business plans and cash flow requirements). The Board shall not instruct the 2014 Share Award Plan Trustee to subscribe for and/or purchase any Shares for the purpose of the 2014 Share Award Plan when such purchase and/or subscription will result in the Max Shares Annual Threshold being exceeded.

(v) *Maximum entitlement of each participant*
The number of awarded Shares to be provisionally awarded by the Board to any Selected Participant (or, where the Board at the same meeting is to consider the making of any awards to two or more Selected Participants, the total number of awarded Shares to be provisionally awarded to such Selected Participants) shall not exceed the difference between the following:

TT – LL

where	TT	=	the total number of Shares held under the Shares Pool, and
	LL	=	the aggregate number of (i) Shares which have been provisionally awarded under the 2014 Share Award Plan and which then remain outstanding, and (ii) Shares which are proposed to be considered and approved at the same meeting to be provisionally awarded to other Selected Participants

(vi) *Vesting of the awarded Shares*
Subject to the rules of the Share Award Plan, the legal and beneficial ownership of the relevant awarded Shares shall vest in the relevant Selected Participant within ten business days after the latest of:

(aa) the date specified on the notice of the award given by the Board to the 2014 Share Award Plan Trustee (which shall not be earlier than the first business day immediately following the expiry of six months after the Listing Date); and

(bb) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such Selected Participant as specified in the related notice of award have been attained and notified to the 2014 Share Award Plan Trustee by the Board in writing.

(vii) *Remaining life*
Subject to any earlier termination in accordance with its rules, the 2014 Share Award Plan will remain in force for a period of 10 years commencing on 24 March 2014. As at the date of this annual report, the 2014 Share Award Plan has been terminated.

(b) Movement of the awarded Shares

On 1 April 2022, the Board resolved to award an aggregate of 17,040,000 awarded shares (the "**2022 Awarded Shares**") at nil consideration to eleven selected participants under the 2014 Share Award Plan.

The closing price of the Shares, immediately before the grant date of the 2022 Awarded Shares was HKD1.91. The aggregate fair value of the 2022 Awarded Shares at the date of grant amounted to approximately HKD31,524,000. The fair value of the awarded shares was calculated based on the market price of the Shares at the grant date.

The 2022 Awarded Shares have been issued and allotted under the general mandate granted to the Directors by the shareholders of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 June 2021. Subject to the satisfaction of the vesting criteria and conditions of the 2014 Share Award Plan, the 2022 Awarded Shares shall be transferred from 2014 Share Award Plan Trustee to the selected participants upon expiry of the respective vesting period. As at the end of the Reporting Period, the 2022 Awarded Shares have been fully issued to the 2014 Share Award Plan Trustee and all the awarded Shares have been vested as at 31 December 2023.

As disclosed in the circular of the Company dated 18 November 2022, the Company undertook not to issue further award Shares under the 2014 Share Award Plan upon the adoption of the 2022 Share Award Plan on 8 December 2022 and the 2014 Share Award Plan has been terminated at the end of the Reporting Period. As such, at the beginning and the end of the Reporting Period, the total number of award Shares available for grant under the 2014 Share Award Plan were both nil.

Movement of the 2022 Awarded Shares under the 2014 Share Award Plan during the Reporting Period is as follows:

				Number of Awarded Shares			
Selected Participants	Date of Grant	Vesting Period (i.e. from the grant date up to the vesting date)	Unvested as at 1 January 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Unvested as at 31 December 2023
Employee participants	1 April 2022	60%: 1 April 2022 to 13 April 2022 20%: 1 April 2022 to 31 October 2022 20%: 1 April 2022 to 31 October 2023	2,854,000	–	1,468,000	1,386,000	–
A service provider	1 April 2022	60%: 1 April 2022 to 13 April 2022 20%: 1 April 2022 to 31 October 2022 20%: 1 April 2022 to 31 October 2023	554,000	–	554,000	–	–
Total			3,408,000	–	2,022,000	1,386,000	–

Note 1: Save as disclosed above, there is no any other information required to be disclosed pursuant to Rule 17.07 of the Listing Rules.

Note 2: The purchase price of all Awarded Shares set out in the table above is nil.

Note 3: The weighted average closing price of the Awarded Shares immediately before the dates on which Awarded Shares were vested during the Reporting Period was HKD1.3.

Note 4: The performance targets of the Awarded Shares set out above includes, among others, settled GMV, settled revenue, completion ratio of material projects, accuracy of the data collected and the number of successful new media marketing projects introduced.

During the Reporting Period, the number of shares that may be issued in respect of award Shares granted under all schemes of the Company (i.e. 79,882,560 Shares) divided by the weighted average number of Shares of the relevant class in issue for the Reporting Period (i.e. 1,320,318,372 Shares) were approximately 6.05%.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Li Jun ("Mr. Li") (李鈞), aged 34, has been appointed as an executive Director on 29 September 2021 and as Chairman on 19 June 2023. He is also a member of the Nomination Committee of the Company. Mr. Li graduated from the Zhejiang University (浙江大學) in the PRC specialising in business administration in 2011. He has extensive experiences and business network in the all-media industry, especially the new media business. Mr. Li also founded various technology companies and has developed entrepreneurial and business management experiences, he is also the founder of Hangzhou Jinwei Supply Chain Information Service Co., Ltd.* (杭州盡微供應鏈信息服務有限公司), a software as a service (SaaS) company serving new e-commerce and new media platforms and serves as the chairman of such company. As at the date of this annual report, Mr. Li is (i) a director of Be Friends Selected Technology Limited* (交個朋友優選科技有限公司) ("**Be Friends Selected Technology**"), an indirect subsidiary of the Company; and (ii) the sole shareholder and sole director of Starlink Vibrant Holdings Ltd. which was interested in 323,500,334 Shares, which represented approximately 23.25% of the total issued Shares as at the date of this annual report. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company" in the Directors' Report for details of his interest in the Shares of the Company.

Mr. Lo Chi Sum ("Mr. Lo") (盧志森), aged 64, is the founder, chief executive officer of the Group and an executive Director. Mr. Lo is also the chairman of the Investment Committee of the Company. He became a Director since December 2012. He is primarily responsible for the overall business strategies and business operation of the Group. Mr. Lo completed the programme of diploma in business management organised jointly by the Hong Kong Management Association and the Hong Kong Polytechnic University in February 1986. He obtained a master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in 2006, and he graduated from the doctoral programme in business administration from Wuhan University (武漢大學) in 2013. Mr. Lo graduated from the global finance GFD Programme in PBC School of Finance, Tsinghua University (清華大學五道口金融學院) in August 2020. During 2009 to 2015, Mr. Lo has been awarded seven times as an "Outstanding Entrepreneur in Technological Innovation" (科技創新優秀企業家) or "Outstanding Individual in Scientific and Technological Innovation" (科技創新優秀個人獎) by China Radio and TV Equipment Industry Association* (中國廣播電視設備工業協會). Mr. Lo has accumulated substantial experience in the all-media industry.

In 2007, Mr. Lo invested in the all-media industry in the PRC and set up Beijing Century Sage Scientific System and Technology Company Limited* (北京世紀睿科系統技術有限公司) ("**CSS (Beijing)**") in April 2007. Since then he has been in charge of the overall business strategies and business operation of the Group. As at the date of this annual report, Mr. Lo is a director of CSS (Beijing), Times Sage (Beijing) Tech Company Limited* (時代華睿(北京)科技有限公司) ("**Times Sage (Beijing)**"), Cogent Technologies Limited, NI Systems Limited, Century Sage Scientific International Limited, Century Sage Scientific Group Ltd, Cortesia Limited, Cogent Tech (Asia) Limited, Cogent (Beijing), Times Sage (Hong Kong) Limited, Century Sage Scientific (HK) Limited ("**CSS (HK)**"), Century Sage Scientific (Taiwan) Limited and Century Sage Scientific Solutions Limited. Mr. Lo was the sole shareholder and sole director of Cerulean Coast Limited ("**Cerulean**") which was interested in 47,703,522 Shares, which represented approximately 3.43% of the total issued Shares as at the date of this annual report. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company" in the Directors' Report for details of his interest in the Shares and underlying Shares of the Company.

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Mr. Lo has over 35 years of experience in the broadcasting and television industry. Prior to the founding of the Group, Mr. Lo started his career in the industry in 1987, and he was first employed as a sales manager by Advanced Communication Equipment (International) Co., Ltd ("**ACE**"), a company which then provided, among others, audio and visual system integration services. Mr. Lo was transferred to the Taiwan office of ACE in 1989 and served as a general manager; subsequently, Mr. Lo became a director of ACE. From 2003 to 2006, Mr. Lo also took up the role of director of New Digital Technology Holdings Limited, a company which provided, among others, video system integration services. Through his extensive industry-related working experience, Mr. Lo has accumulated in-depth industry knowledge and market understanding for the all-media industry.

Mr. Li Liang (李亮), aged 45, has been appointed as an executive Director on 28 December 2022. He obtained a master's degree majored in public administration from Peking University in July 2010, and he has been studying Executive MBA in China Europe International Business School. He has ample business management experience. Mr. Li Liang worked at New Oriental Education & Technology Group Inc. ("**New Oriental**") (listed on the Main Board of the Stock Exchange (Stock Code: 9901) and the New York Stock Exchange (Stock Code: EDU)) from April 2001 to January 2022. He served as a vice president of New Oriental and president of Beijing New Oriental School and founded New Oriental's K12 training during his tenure with New Oriental. He has received numerous recognitions during his tenure with New Oriental and was awarded the "New Oriental Education & Technology Group 20th Anniversary Meritorious Person Award" in November 2013. In November 2022, Mr. Li Liang was appointed as the chief executive officer of Be Friends Selected Technology and fully responsible for operations management. Mr. Li Liang is interested or deemed to be interested in 44,628,200 shares of the Company as at the date of this annual report, which represented approximately 3.20% of the total issued Shares as at the date of this annual report. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company" in the Directors' Report for details of his interest in the Shares and underlying Shares of the Company.

Ms. Zhao Hui Li ("Ms. Zhao") (趙慧利), aged 35, has been appointed as an executive Director, a member of the Remuneration Committee of the Company and a member of the Investment Committee of the Company on 29 September 2021. Ms. Zhao was in charge of the Group's business strategy, provided strategic analysis support for the Group's business, and was responsible for the human resources management function of the Group. Currently, the major positions Ms. Zhao hold within the Company or other members of the Group are as follow: a director of Be Friends Selected Technology, Yijiang Future Technology (Hangzhou) Co., Ltd.* (易匠未來科技(杭州)有限公司), Hangzhou Yijiang Future Wisdom Technology Co., Ltd.* (杭州易匠未來智慧科技有限公司), Hangzhou Be Friends Wisdom Technology Co., Ltd.* (杭州交個朋友智慧科技有限公司), Hangzhou Juhuo Interactive Culture Communication Co., Ltd.* (杭州聚火互動文化傳播有限公司) Beijing Be Friends Digital Technology Co., Ltd.* (北京交個朋友數碼科技有限公司), Hang Zhou Be Friends Brand Marketing Management Co., LTD* (杭州交個朋友品牌營銷管理有限公司) and Beijing Gefei Technology Co., Limited* (北京格非科技股份有限公司) ("**Beijing Gefei**"). Ms. Zhao is interested or deemed to be interested in 1,000,000 shares of the Company as at the date of this annual report, which represented approximately 0.07% of the total issued Shares as at the date of this annual report. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company" in the Directors' Report for details of her interest in the Shares and underlying Shares of the Company.

Ms. Zhao obtained a master's degree in accounting from Wuhan University (武漢大學) in June 2012. She served as a reporter of the Shanghai First Financial Newspaper Co., Ltd.* (上海第一財經報業有限公司) from August 2012 to July 2014. She served as a partner, vice president and chief financial officer at Zero One Think Tank Information Technology (Beijing) Co., Ltd.* (零壹智庫信息科技(北京)有限公司), and was responsible for financial technology research, financial management and equity financing.

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Independent Non-Executive Directors ("INED")

Mr. Ma Zhan Kai ("Mr. Ma") (馬占凱), aged 41, has been appointed as an INED, a member of the Audit Committee of the Company, the chairman of the Remuneration Committee of the Company and a member of the Investment Committee of the Company on 29 September 2021, and has been appointed as the chairman of the Nomination Committee of the Company on 30 December 2021. Mr. Ma obtained a bachelor's degree in Mechanical Design Manufacturing And Automation from Hebei University of Technology (河北工業大學) in July 2004. He worked at Sogou Inc., a company listed on the New York Stock Exchange (stock code: SOGO), from August 2005 to April 2009. Being known as the "Father of Sogou Input Method", Mr. Ma first put forward the product concept of a combination of search and input method and invented the "Sogou Input Method" in 2005. He also worked at Qihoo 360 Technology Co. Ltd.* (三六零安全科技股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 601360), from April 2009 to February 2012. He also joined Meituan, a company listed on the Stock Exchange (stock code: 3690) as a consultant since February 2012 and has been responsible for, among others, product strategy. Mr. Ma has extensive experience in the Internet industry with a focus in product design.

Dr. Yu Guo Jie ("Dr. Yu") (余國杰), aged 60, has been appointed as an INED and the chairman of the Audit Committee of the Company on 29 September 2021. Dr. Yu obtained a doctor's degree in Economics from Wuhan University (武漢大學) in June 2003. He is also a Chinese Certified Public Accountant (non-practicing) and a Chinese Certified Public Valuer. He has successively served as a lecturer, an associate professor and a professor of the accounting department in the School of Economics and Management of Wuhan University since March 1996. He has also served as an independent director of Shenzhen Wenke Landscape Co., Ltd.* (深圳文科園林股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002775), from July 2011 to July 2017. He has also served as an independent director of Zhongbai Holdings Group Co., Ltd.* (中百控股集團股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 000759), since July 2021.

Mr. Kong Hua Wei ("Mr. Kong") (孔華威), aged 58, has been appointed as an INED and a member of each of the Audit Committee of the Company, Remuneration Committee of the Company and Nomination Committee of the Company on 1 December 2023. Mr. Kong obtained a bachelor's degree in physics from Peking University in 1987 and a master's degree in theoretical physics from Zhejiang University in 1990. Mr. Kong has over 20 years in the information and communications technology sectors and extensive experience in investment and company management. Mr. Kong has served as the senior vice president of Nano Labs Ltd (NASDAQ:NA) since March 2021. Prior to this, Mr. Kong had served as the chief scientist at Shanghai Zhangjiang Science & Technology Venture Capital Co. from December 2010 to October 2016, a vice president and then the president of the Institute of Computing Technology of the Chinese Academy of Sciences, Shanghai Branch from July 2005 to April 2021, a partner of iStartup Venture Capital Co. from January 2017 to April 2021.

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SENIOR MANAGEMENT

Mr. Li Jinping (李金平), aged 41, is currently the CEO and a director of Times Sage (Beijing) and the CEO of CSS (Beijing). He is mainly in charge of the business management and daily operation of Times Sage (Beijing) and CSS (Beijing). Mr. Li Jinping joined the Group in October 2007. Mr. Li Jinping served as an executive Director from 24 August 2020 to 28 December 2022. As at the date of this annual report, Mr. Li Jinping is also a director of Cogent (Beijing), Beijing Gefei and Be Friends Selected Technology.

Mr. Li Jinping graduated from Harbin Engineering University* (哈爾濱工程大學) in July 2005 with a bachelor's degree in electronic information engineering.

Mr. Li Jinping has over 18 years of experience in the all-media industry. Prior to joining the Group, Mr. Li Jinping was employed by Beijing New Digital Systems China Co., Ltd.* (北京安達斯信息技術有限公司) as an engineer.

Ms. Li Ying ("Ms. Li") (李盈), aged 39, joined Be Friends Selected Technology in February 2022, responsible for financial management, fund management, and business information. In March 2024, Ms. Li was appointed as the deputy chief financial officer of the Group.

Ms. Li graduated with a bachelor's degree in physics from Capital Normal University in 2008. From 2014 to 2018, she served as a senior auditor of KPMG Huazhen LLP and passed all Chinese Certified Public Accountant examinations in 2016. Subsequently, she successively worked at Beijing Jieyi Car Rental Co., Ltd.* (北京捷翊汽車租賃有限責任公司), Zuoyebang Education Technology (Beijing) Co., Ltd.* (作業幫教育科技(北京)有限公司), etc. Ms. Li has extensive and diversified management experience in overall financial management work such as industry and finance support, report analysis, industry and finance informatization, and fund management.

Ms. Ye Yang ("Ms. Ye") (葉陽), aged 34, is currently the vice president of operation of the Group and the assistant to the chief executive officer of the Group and the secretary to the Board. Ms. Ye is mainly in charge of daily affairs of the Board and the human resources and administration management of the Group. Ms. Ye joined the Group in August 2016. As at the date of this annual report, Ms. Ye is also a director of Cogent (Beijing), Times Sage Technology Limited, Fineone International Limited, TV Logic Technology Limited and a supervisor of Times Sage (Beijing) and Beijing Gefei.

Ms. Ye graduated from University of International Business and Economics (對外經濟貿易大學) in June 2014 with a master's degree in international law. Ms. Ye obtained PRC legal professional qualification certificate in March 2014.

Ms. Ye has over 9 years working experience in professional service of corporate compliance and governance. Prior to joining the Group, Ms. Ye served as a consultant of capital market of Orrick, Herrington & Sutcliffe LLP, Beijing Office from July 2014 to July 2016.

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COMPANY SECRETARY

Ms. Chan Sze Ting ("Ms. Chan") (陳詩婷) was appointed as the company secretary of the Company on 18 June 2020. Ms. Chan is a director of the corporate services division of Tricor Services Limited, which is a global professional services supplier specialising in integrated business, corporate and investor services. Ms. Chan has over 18 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Chan is a Chartered Secretary (CS), a Chartered Governance Professional (CGP) and a Fellow of both The Hong Kong Chartered Governance Institute (HKCGI) and The Chartered Governance Institute (CGI) in the United Kingdom. Ms. Chan holds a bachelor of arts degree from Hong Kong Polytechnic University and a bachelor's degree in law from the University of London, Britain.

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DIRECTORS' REPORT

The Directors hereby present this Directors' Report and the audited consolidated financial statements of the Group for the Reporting Period.

DIRECTORS

The Directors during the Reporting Period and up to the date of this Directors' Report are as follows:

Executive Directors

Mr. Li Jun (李鈞)
Mr. Lo Chi Sum (盧志森)
Mr. Li Liang (李亮)
Ms. Zhao Hui Li (趙慧利)

Independent Non-executive Directors

Mr. Ma Zhan Kai (馬占凱)
Dr. Yu Guo Jie (佘國杰)
Mr. Kong Hua Wei (孔華威) *(appointed on 1 December 2023)*
Mr. Cui Xiao Bo (崔曉波) *(resigned on 1 December 2023)*

The Company has received, from each of the INEDs, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the INEDs are independent.

PRINCIPAL ACTIVITIES

Please refer to Note 1 of the notes to the consolidated financial statements in this annual report for details regarding the principal activities of the Group.

RESULTS AND DIVIDENDS

The Group's results for the Reporting Period and the state of affairs of the Company and the Group as at 31 December 2023 are set out in the accompanying consolidated financial statements.

The Directors do not recommend distribution of a final dividend for the year ended 31 December 2023 (2022: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 13 of the notes to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in Note 23 of the notes to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company (the "**Articles**") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, 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 tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities. Shareholders are advised to consult an expert on the tax implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Company's securities.

REDEMPTION, PURCHASE OR CANCELLATION OF THE COMPANY'S REDEEMABLE SECURITIES

Neither the Company nor any of its subsidiaries has redeemed, purchased or cancelled any of the Company's redeemable securities during the Reporting Period.

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

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 34(b) of the notes to the consolidated financial statements and consolidated statement of changes in equity on pages 101 to 102 and Note 25 of the notes to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution to equity holders, comprising the share premium and accumulated losses, amounted to approximately RMB31.2 million (2022: approximately RMB36.2 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, revenue from the Group's five largest customers accounted for approximately 17.9% (2022: 13.8%) of the Group's total revenue and the revenue from the largest customer included therein accounted for approximately 8.3% (2022: 6.2%) of the Group's total revenue.

For the Reporting Period, supplies provided by the Group's five largest suppliers accounted for approximately 44.0% (2022: 28.1%) of the Group's total cost of sales and supplies provided by the largest supplier included therein accounted for approximately 14.1% (2022: 9.1%) of the Group's total cost of sales.

None of the Directors or any of their close associates or any shareholders of the Company (which, to the knowledge of the Directors, own more than 5% of the Company's issued Shares) had any interests in the Group's five largest customers and/or five largest suppliers for the Reporting Period.

EQUITY-LINKED AGREEMENT

Save for those disclosed in the sections headed "Share Award Plan and Share Option Scheme" in this annual report, the Company did not enter into any equity-linked agreement during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for those disclosed in the sections headed "Share Award Plan and Share Option Scheme" in this annual report and "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company" in this Directors' Report, at no time during the year there were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a total of 1,260 employees (2022: 785 employees).

The Remuneration Committee recommends the level of remuneration for Directors, subject to approval by the Board. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved. In order to determine the level of remuneration paid to the members of the Board, market rates and factors such as each Director's workload, performance, responsibility, job complexity and the Group's performance are taken into account. As part of the remuneration package, Board members may be granted a certain number of share options or awarded shares under share incentive schemes adopted by the Company from time to time. Such securities may be granted upon the recommendation of the Remuneration Committee and will be subject to approval by the Board or the Shareholders (if necessary).

Details of emoluments paid to each Director and the five highest paid employees in the Reporting Period are set out in Notes 35(a) and 8 of the notes to the consolidated financial statements.

The Group has formulated its emolument policy which sets out the basis for the remuneration of the employees and the remuneration structure of employees that comprises of basic wage, allowances, benefits and others, and grants employee share awards as appropriate based on the assessment of individual performance. The Company has made contributions to, among others, social insurance, medical insurance, housing provident fund and mandatory provident fund on behalf of its employees in accordance with the relevant laws and regulations requirements of the PRC and Hong Kong. The emoluments payable to employees of the Group are determined based on their responsibilities, qualifications, experiences and the role taken as well as the industry practices. Other benefits to the employees of the Group include, among other things, medical insurance, retirement scheme and training programmes. Details of training programmes and the shares incentive schemes are set out in the sections headed "Training and Development" of the "Environmental, Social and Governance Report" and "Share Award Plans" in this annual report, respectively.

In respect of the remuneration paid or payable to the members of senior management (except Directors) of the Company for the year ended 31 December 2023, the remuneration paid or payable to members of the senior management of the Company by band is set out below:

	Number of individuals
Nil to RMB906,220 (equivalent to Nil to HKD1,000,000)	1
RMB906,221 to RMB1,812,440 (equivalent to HKD1,000,001 to HKD2,000,000)	2
	3

During the year ended 31 December 2023, none of the Directors and the five highest paid individuals of the Group (i) received or will receive any emolument from the Group as an inducement to join or upon joining the Group; (ii) received or will receive any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or has agreed to waive any emoluments.

In order to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted the Share Award Plan on 24 March 2014 and 8 December 2022, among which the Share Award Plan adopted on 24 March 2014 was terminated on 29 December 2023.

Please refer to the section headed "Share Award Plans" in this annual report for details.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors is engaged on a Director's service contract with the Company. The letters of appointment of INED also set out the specific terms and conditions relative to their respective appointment. All remuneration paid to executive Directors are covered by respective service contracts and all remuneration paid to non-executive Directors are covered by respective letters of appointment. Details of the terms of appointment of the Directors are disclosed in the section headed "Directors' Service Contracts and Letters of Appointment" of this Directors' Report.

Pursuant to Article 109 of the Articles, any Director appointed by the Board shall hold office until the next following general meeting of the Company and shall then be eligible for re-election. Also, pursuant to Article 105 of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including the non-executive Director and independent non-executive Directors) shall be subject to retirement by rotation at least once every three years.

Every newly appointed Director has been provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

In accordance with Article 105 of the Articles, Ms. Zhao Hui Li and Dr. Yu Guo Jie will retire by rotation at the forthcoming annual general meeting (the "**2024 AGM**"). In addition, Mr. Kong Hua Wei who has been appointed by the Board as the Director on 1 December 2023, will hold office until the 2024 AGM pursuant to Article 109 of the Articles. All of the retiring Directors, being eligible, will offer themselves for re-election at the 2024 AGM.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a Director's service contract for an initial term of three years commencing from their respective date of entering the contract and each of the INEDs has signed a letter of appointment with the Company for an initial term of three years commencing from their respective date of appointment. All of them are subject to retirement by rotation and re-election in accordance with the Articles.

No Director proposed for re-election at the 2024 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' remunerations are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

Particulars of the Directors' emoluments for the year ended 31 December 2023 are set out in Note 35(a) of the notes to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or the management of the Company or their respective close associates (as defined under the Listing Rules) have any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group during the year.

The Company has received from each of the Directors an annual confirmation of his/her undertaking as to non-competition with the business of the Group.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors and other officers for the time being of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such Directors and officers may be held liable.

FINANCIAL REPORTING AND AUDIT

The Directors acknowledged their responsibility for preparing the financial statements that give a true and fair view in accordance with applicable statutory requirements and accounting standards and the requirements of the Listing Rules. The Group adopted the going concern basis in preparing its consolidated financial statements.

A statement by the external auditor of the Company about their reporting responsibilities is set out in the section headed "Independent Auditor's Report" in this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

Apart from the particulars disclosed in Note 33 of the notes to the consolidated financial statements, there were no other transactions, arrangement or contracts of significance in relation to the Company's business, to which the holding company of the Company or any of the Company's subsidiaries or fellow subsidiaries was a party subsisting at the end of the year ended 31 December 2023 or at any time during the year ended 31 December 2023 in which a Director or an entity connected with the Director had, whether directly or indirectly, a material interest.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

For the year ended 31 December 2023, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling Shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

For the year ended 31 December 2023, no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling Shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries was entered into.

MANAGEMENT CONTRACTS

For the year ended 31 December 2023, other than the service contracts of the Directors, there was no contract entered into by the Company relating to its management and administration or subsisting during the year under review which is substantial to the entire or any part of the business of the Group.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Company for the year ended 31 December 2023 and undertaken in the usual course of business are set out in Note 33 of the notes to the consolidated financial statements. None of these related party transactions constitutes a connected transaction or continuing connected transaction which are required to be disclosed in this annual report in compliance with the requirements under Chapter 14A of the Listing Rules. The Directors confirm that they have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

Details of movements in the share awards and share options during the year ended 31 December 2023 are set out in the section headed "Share Award Plans" in this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2023, the Directors and the Company's chief executive, and their respective associates had the following interests in the Shares and underlying Shares and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have been taken under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), or were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO:

Name of Director	Name of Group member/ associated corporation	Capacity/ Nature of interest	Number of Shares and underlying Shares held (Note 1)	Approximate percentage of Shares in issue
Mr. Li Jun ("**Mr. Li**")	The Company	Interest of controlled corporation	323,500,334 Shares (L) (Note 2)	23.25% (L)
	Starlink Vibrant Holdings Ltd. ("**Starlink Vibrant**")	Beneficial owner	1 share	100%
Mr. Lo Chi Sum ("**Mr. Lo**")	The Company	Interest of controlled corporation	47,703,522 Shares (L) (Note 3)	3.43% (L)
	Cerulean	Beneficial owner	1 share	100%
Mr. Li Liang	The Company	Beneficial owner	44,628,200 Shares (L) (Note 4)	3.20% (L)
Ms. Zhao Hui Li ("**Ms. Zhao**")	The Company	Beneficial owner	1,000,000 Shares (L) (Note 5)	0.07% (L)

Save as disclosed above, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares and underlying Shares or any of its associated corporations as at 31 December 2023.

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

As at 31 December 2023, the interests or short positions of the persons (other than a Director or chief executive of the Company whose interests are disclosed above) and corporations in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares and underlying Shares held (Note 1)	Approximate percentage of Shares in issue
Starlink Vibrant	Beneficial owner	323,500,334 Shares (L) (Note 2)	23.25% (L)
Yoshiaki Holding Corp ("**Yoshiaki**") (Note 6)	Beneficial owner	262,194,884 Shares (L)	18.85% (L)

Notes:

1. The letter "L" denotes a person's or a corporation's long position in the Shares. The letter "S" denotes a person's or a corporation's short position in the Shares.

2. These Shares were held by Starlink Vibrant, which was wholly owned by Mr. Li. Pursuant to the SFO, Mr. Li was deemed to be interested in a total of 323,500,334 Shares.

3. These Shares were held by Cerulean, which was wholly owned by Mr. Lo. Pursuant to the SFO, Mr. Lo was deemed to be interested in a total of 47,703,522 Shares.

4. Among which, 5,290,000 Shares were held by him beneficially and 39,338,200 Shares are Awarded Shares granted to Mr. Li Liang at 10 January 2023 and approved by the independent shareholders of the Company at the extraordinary general meeting held on 27 February 2023.

5 Such shares are Awarded Shares granted to Ms. Zhao on 10 January 2023 under the 2022 Share Award Plan of the Company adopted on 8 December 2022.

6. Yoshiaki is a company incorporated in the British Virgin Islands, which was wholly owned by Mr. Lu Jiayao. Pursuant to the SFO, Mr. Lu Jiayao was deemed to be interested in a total of 262,194,884 Shares.

Save as disclosed above, the Company is not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 31 December 2023.

AUDIT COMMITTEE, REMUNERATION COMMITTEE, NOMINATION COMMITTEE AND INVESTMENT COMMITTEE

Details of the Audit Committee, Remuneration Committee, Nomination Committee and Investment Committee of the Company are set out in the section headed "Corporate Governance Report" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

During the Reporting Period and up to the date of this Directors' Report, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the Directors.

DIRECTORS' REPORT

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises all the three INEDs, namely Dr. Yu Guo Jie, Mr. Ma Zhan Kai and Mr. Kong Hua Wei. They have reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023.

AUDITOR

There has been no change in auditor of the Company during the three years prior to the date of this annual report.

Mazars CPA Limited will retire and a resolution for their re-appointment as the auditor of the Company will be proposed at the 2024 AGM.

BUSINESS REVIEW

Business Performance and Future Outlook

For the business review and future outlook of the Group, please refer to the paragraphs headed "Business Review" and "Future Outlook" respectively in the section headed "Management Discussion and Analysis" in this annual report. This discussion forms part of this Directors' Report.

Principal Risks and Uncertainties

For the principal risks and uncertainties facing the Group, please refer to the section headed "Management Discussion and Analysis" in this annual report for further details. This discussion forms part of this Directors' Report.

Environmental Policies

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conservation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group seeks to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time. Details of the Group's environmental policies are set out in the "Environmental, Social and Governance Report" of this annual report.

Compliance with Relevant Laws and Regulations

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company during the Reporting Period including the Listing Rules, the PRC Labour Law, etc.. Details of the relevant laws and regulations are set out in the "Environmental, Social and Governance Report" of this annual report.

Relationship with Employees

People are the Group's most valuable asset. The Group emphasises communication with staff and provides them with training and career development opportunities. It also recognises good performance and provides a variety of activities for staff to help them achieve a balance between work and life. The Group has established a good relationship with its employees throughout the year.

Relationship with Customers

The Group strives to deliver outstanding experiences and meaningful value to customers. To ensure continuous improvement of the quality of service, the Group pro-actively seeks customer feedback. The Group's superior service has been widely recognised, as evidenced by the growing customer base during the year.

Relationship with Suppliers

The Group has established a long standing cooperation relationship with its suppliers. The Group also consistently upholds and strengthen our cooperation with suppliers.

CHARITABLE DONATIONS

During the year ended 31 December 2023, the Group made charitable contributions and other donations RMB3.0 million (2022: RMB0.3 million).

CHANGES IN DIRECTORS' INFORMATION

The material changes in directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the interim report of the Company for the six months ended 30 June 2023 are set out below:

(1) Mr. Kong Hua Wei has been appointed as an independent non-executive Director of the Company with effect from 1 December 2023.

(2) Mr. Cui Xiao Bo resigned as an independent non-executive Director of the Company with effect from 1 December 2023.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent events after the Reporting Period.

On behalf of the Board
Li Jun
Chairman

Hong Kong, 26 March 2024

* *The official names are in Chinese and the English names are translated for identification purpose only.*

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CULTURE AND STRATEGY

As a leading all-media service provider in China, the Group is focusing on the full range of media services, managing to improve its technology and operational capabilities to promote consumers to a better and high-quality life, and striving to become a reliable friend to consumers and businesses while providing better products and better services. The Group invests prudently in new media services and television broadcasting business and it generates and preserves value by investing in these businesses and pursuing growth opportunities.

The Group is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long-term and that its employees, those with whom it does business and the communities in which it operates will all benefit. The Group embraces a culture of perfection, integrity, altruism, compassion and long-termism and Directors lead the drive to promote this culture across the organisation. Meanwhile, Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") in Appendix C1 to the Listing Rules which is applicable to the corporate governance report of the Company for the financial year ended 31 December 2023. The Company is aware that the Stock Exchange has amended Appendix C1 to the Listing Rules, which has come into effect from 31 December 2023.

The Board is of the view that throughout the year ended 31 December 2023, the Company has complied with all the code provisions as set out in the CG Code.

A. Model Code for Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions (the "**Securities Dealing Code**") on terms no less exacting than the required standard set out in the Model Code (with certain modifications).

The Securities Dealing Code applies to all the Directors and all the employees to whom the Securities Dealing Code is given and who are informed that they are subject to its provisions.

Specific enquiry has been made of all the Directors and all the relevant employees and they have confirmed that they have complied with the required standard set out in the Securities Dealing Code throughout the year ended 31 December 2023.

B. Board of Directors

The Board oversees the Company's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from the Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

1. Board Composition

As at 31 December 2023, the Board comprised seven Directors, consisting of four executive Directors and three independent non-executive Directors, as follows:

Executive Directors:
Mr. Li Jun *(Chairman of the Board, member of the Nomination Committee)*
Mr. Lo Chi Sum *(Chief Executive Officer, Chairman of the Investment Committee)*
Mr. Li Liang
Ms. Zhao Hui Li *(member of each of the Remuneration Committee and the Investment Committee)*

Independent Non-executive Directors:
Mr. Ma Zhan Kai *(Chairman of each of the Remuneration Committee and the Nomination Committee, member of each of the Audit Committee and the Investment Committee)*
Dr. Yu Guo Jie *(Chairman of the Audit Committee)*
Mr. Kong Hua Wei *(member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee)*

Mr. Kong Hua Wei, who has been appointed as the Independent Non-executive Director during the financial year ended 31 December 2023, has obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 27 November 2023, and he has confirmed he understood his obligations as a director of a listed issuer.

The biographical information of the Directors as at the date of this annual report are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

The Board has met the requirements of Rule 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive directors representing at least one-third of the Board.

None of the Directors has any relationship (including financial, business, family or other material relevant relationship) with any other Directors or any chief executive.

2. Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The roles of the Chairman and the chief executive officer (the "**CEO**") of the Group was not separated and was performed by the same individual, Mr. Lo during the period from 1 January 2023 to 18 June 2023. During such period, the Directors met regularly to consider major matters affecting the operations of the Group. As such, the Directors considered that this structure did not impair the balance of power and authority between the Directors and the management of the Group. On 19 June 2023, Mr. Li Jun, the executive director of the Group, was appointed as the chairman of the Board. Since that date, the Group has complied with all applicable provisions of the CG Code.

3. Independent Non-executive Directors

During the year ended 31 December 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

4. Appointment and Re-election of Directors

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years, whereas article 109 of the Articles states that any director appointed to fill a casual vacancy or as an additional director shall be subject to re-election by shareholders at the first annual general meeting after his/her appointment.

Each of the independent non-executive Directors, namely, Mr. Ma Zhan Kai and Dr. Yu Guo Jie are appointed for an initial term of three years commencing from 29 September 2021, while Mr. Kong Hua Wei is appointed for an initial term of three years commencing from 1 December 2023, unless terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' notice in writing expiring at the end of the initial term or at any time thereafter, and is subject to retirement by rotation and re-election once every three years under the Articles.

5. Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors take decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Board authorises the management to implement the strategies as approved by the Board. The management is responsible for the day-to-day operations of the Group and reports to the Board. For this purpose, the Board has formulated clear written guidelines which stipulate the circumstances where the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will conduct regular review on these authorisation and guidelines from time to time.

6. Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The records of training and continuous professional development that have been received from the Directors for the year ended 31 December 2023 are summarised as follows:

Directors	Type of Training (Note)
Mr. Li Jun	A & B
Mr. Lo Chi Sum	A & B
Mr. Li Liang	A & B
Ms. Zhao Hui Li	A & B
Mr. Ma Zhan Kai	A & B
Dr. Yu Guo Jie	A & B
Mr. Kong Hua Wei *(appointed on 1 December 2023)*	A & B
Mr. Cui Xiao Bo *(resigned on 1 December 2023)*	A & B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

C. Board Independence Evaluation

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

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

A summary of the Board Independence Evaluation Mechanism is set out as follows:

- The Nomination Committee will assess the independence of all INEDs on an annual basis and confirm that each INED continues to meet the independence standards set out in the Listing Rules and that there are no relationships or circumstances that may affect their independent judgment;
- An annual review of Board independence will be conducted to ensure that it remains objectively independent;
- Directors may seek independent professional advice in the performance of their duties, at the Company's expense; and
- Directors are encouraged to have independent access to and consult with senior management of the Company (if required).

During the year ended 31 December 2023, all the independent non-executive Directors has completed the independence evaluation in the form of a questionnaire individually and the results were presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2023, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

D. Board Committees

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

As at 31 December 2023, the majority of the members of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive Directors. The list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" in this annual report.

1. Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Dr. Yu Guo Jie, Mr. Ma Zhan Kai and Mr. Kong Hua Wei. Dr. Yu Guo Jie, being the chairman of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial information and oversee the financial reporting, risk management and internal control systems of the Company.

During the Reporting Period, the Audit Committee held two meetings and a summary of the work performed by the Audit Committee during the Reporting Period is set out as follows:

- reviewed with the financial personnel and the external auditor the effectiveness of audit process and the accounting principles and practices adopted by the Group, and the accuracy and fairness of the annual consolidated financial statements for the financial year ended 31 December 2022 and the interim condensed consolidated financial statements for the six months ended 30 June 2023;

- reviewed with the senior management and finance personnel the effectiveness of the risk management, internal control systems, internal audit function and risk management updates of the Group during the Reporting Period;

- recommended to the Board on the re-appointment of external auditor at the annual general meeting held on 19 June 2023 ("**2023 AGM**"); and

- approved the audit plan for the Reporting Period, reviewed the independence of the external auditor and approved its engagement.

The Audit Committee also met the external auditor without the presence of the executive Directors and the management of the Company.

2. Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Ma Zhan Kai and Mr. Kong Hua Wei and an executive Director, namely Ms. Zhao Hui Li. Mr. Ma Zhan Kai is the chairman of the Remuneration Committee.

The primary functions of the Remuneration Committee include making recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management; making recommendations to the Board on the remuneration packages of individual executive Directors and senior management; reviewing performance-based remuneration and ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the Reporting Period, the Remuneration Committee held four meetings and a summary of the work performed by the Remuneration Committee during the Reporting Period is set out as follows:

- reviewed the Director's fee and made recommendation to the Board;

- reviewed the current remuneration structure and package of the Directors and recommended the Board approve their specific packages;

- recommended to the Board the changes to the remuneration packages for certain Directors;

- reviewed and approved matters relating to share schemes under Chapter 17 of the Listing Rules; and

- recommended to the Board the remuneration package for the Director and Chairman appointed during the Reporting Period.

In particular, the Remuneration Committee (with Ms. Zhao abstaining from voting in respect of the awarded shares proposed to be granted to her) reviewed the grant of the 1,000,000 awarded shares to Ms. Zhao under on 10 January 2023 under the 2022 Share Award Plan with a vesting period shorter than 12 months and considered such vesting period appropriate because of the following reasons:

(i) Ms. Zhao has been appointed as an executive Director, a member of the remuneration committee and investment committee of the Company since September 2021. She is responsible for formulating the business strategies and overseeing the human resources management function of the Group. With her ample experience in the all-media industry, Ms. Zhao has played an instrumental role in leading the Group to achieve the significant growth of the new media service segment (especially the live streaming business) of the Group since her appointment to the Group. In particular, Ms. Zhao has assisted the Group in signing several cooperation agreements with several important customers such as Douyin E commerce Entities and ZHI-TECH (as defined in the announcements of the Company dated 5 August 2022 and 5 May 2022, respectively). The signing of these cooperation agreements is an important sign that the Group is recognized by the top new media service providers in China, and the performance of the Group will improve substantially from its cooperation with these important clients. In addition, as the head of human resources department, Ms. Zhao successfully (a) implemented human resources policy to recruit and reserve more talents in various functions to enhance the competitiveness of the Group, (b) trained employees to continuously improve their business and job awareness and provided them with a good working experience, and also (c) implemented flexible human resources arrangement to adapt with the challenges brought by the epidemic, which has significantly contributed to maintaining and improving the Group's operational capacity. The grant of awarded shares to Ms. Zhao serves as a recognition of her past contribution to the Group and incentivise her to continuously contribute to the operation, development and long-term growth of the Group; and

(ii) the vesting of awarded shares granted to Ms. Zhao will be conditional upon the achievement of her performance targets including, among others, the completion rate of various strategic projects, the completion rate of recruitment and the qualification rate of talent development.

3. Nomination Committee

The Nomination Committee comprises two independent non-executive Directors, namely Mr. Ma Zhan Kai and Mr. Kong Hua Wei and an executive Director, namely Mr. Li Jun. Mr. Ma Zhan Kai is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and making recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified as potential Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of the Chairman and the Chief Executive Officer.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree annually on measurable objectives for achieving diversity on the Board, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee held three meetings and a summary of work performed by the Nomination Committee during the Reporting Period is set out as follows:

- reviewed the structure, size, composition and diversity of the Board;
- monitored the independence of the INEDs for the purpose of the Listing Rules;
- monitored and reviewed the Group's diversity and inclusion development;
- recommended to the Board on the re-election of Director at the 2023 AGM; and
- recommended to the Board on changes to its composition of the Board, the appointment and resignation of certain Director and the Chairman.

The Nomination Committee considered an appropriate balance of diversity perspectives of the Board in terms of age, cultural and educational background, professional experience, skills, knowledge and length of service is maintained and did not recommend any changes to the measurable objectives set for implementing diversity on the Board. A summary of the Board Diversity Policy and the Director Nomination Policy are set out below.

- *Board Diversity Policy*
  The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and adopted a Board Diversity Policy aiming to set out the approach to achieve diversity on the Board on 13 June 2014 and amended the Board Diversity Policy on 28 December 2018. The implementation of the policy is monitored by the Nomination Committee. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender.

  Pursuant to the Board Diversity Policy, the Nomination Committee will discuss and agree annually measurable objectives for implementing diversity on the Board, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service, and recommend them to the Board for adoption. The Nomination Committee of the Board will also ensure that recruitment and selection procedures of director candidates are appropriately structured so that a diverse range of candidates are considered by the Company. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

  The Company will review annually on its diversity, including the gender proportion of the Board, senior management and staff, and monitor the progress on achieving these diversity objectives. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender.

For the purpose of implementation of the Board Diversity Policy, the measurable objectives adopted include (a) at least one-third of the members of the Board shall be independent non-executive directors; (b) at least one of the members of the Board shall have obtained accounting or other professional qualifications; and (c) at least one of the members of the Board shall be female. The current Board's composition under diversified perspectives is disclosed in the biographical information of the Directors set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

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

Gender	Age Group
Male: 6 Directors Female: 1 Director	31-40: 2 Directors 41-50: 2 Directors 51-60: 2 Directors 61-70: 1 Director

Designation	Educational Background
Executive Directors: 4 Directors Independent Non-executive Directors: 3 Directors	Business Administration: 3 Directors Account and Finance: 2 Directors Other: 2 Directors

Nationality	Business Experience
Chinese: 7 Directors	All of the Directors have abundant industry experiences and knowledge related to the Group's business

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

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

Gender Diversity

The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this Annual Report:

	Female	Male
Directors	14.3% (1)	85.7%(6)
Senior Management	66.7% (2)	33.3% (1)
Other employees	56.0% (700)	44.0% (550)
All Directors and employees	55.8% (703)	44.2% (557)

The Board had targeted to achieve and had achieved at least 10% of female Directors, 50% of female senior management and 50% of female employees of the Group and considers that the above current gender diversity is satisfactory.

The Company has taken and will continue to take steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 56 to 89 of this annual report.

- *Director Nomination Policy*
  The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

  The Company adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

  The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

  - character and integrity;
  - qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
  - any measurable objective adopted to achieve diversity of the Board;
  - requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
  - commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

  The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings as follows:

  - When it is necessary to fill a casual vacancy or appoint an additional Director:

    i. the Nomination Committee identifies or selects candidates pursuant to the criteria set out above;

    ii. the Nomination Committee makes recommendation to the Board; and

    iii. the Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee.

- When it is necessary to re-appoint an existing Director on a general meeting:

  i. The Nomination Committee reviews overall contribution and service of the retiring Director to the Company and determines whether the retiring Director continues to meet the criteria as set out above.

  ii. The Nomination Committee makes recommendation to the Shareholder on the re-appointment; and

  iii. Shareholders deliberate and decide on the re-appointment based upon the recommendation of the Nomination Committee.

During the year ended 31 December 2023, Mr. Kong Hua Wei was appointed as an independent non-executive Director, and the selection, nomination and appointment were conducted in accordance with the Director Nomination Policy.

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

4. Investment Committee

The Investment Committee comprises an INED, namely Mr. Ma Zhan Kai and two executive Directors, namely Mr. Lo Chi Sum and Ms. Zhao Hui Li. Mr. Lo Chi Sum is the chairman of the Investment Committee.

The primary duties of the Investment Committee are to consider and approve transaction(s) (as defined under Chapter 14 of the Listing Rules) (the "**Transaction(s)**") not being conducted by the Company in its ordinary course of business and having a consideration of not more than HKD30 million (or its RMB equivalent); and to consider and approve other relevant matters as referred to it by the Board from time to time (other than some matters specifically reserved for the Board's consideration, such as, connected transactions within the meaning of Chapter 14A of the Listing Rules, share transactions and transactions discloseable under Chapter 14 of the Listing Rules). Any Transaction(s) considered by the Investment Committee shall be approved by Mr. Li Jun, the Chairman and any one other executive Director.

During the Reporting Period, the Investment Committee did not hold any meeting.

5. Corporate Governance Functions

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

The terms of reference of the Board include, among others, (i) developing and reviewing the Group's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of the Directors and senior management; (iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

E. Attendance Records of Directors

The attendance records of each Director at the Board meetings, Board committee meetings and the general meetings of the Company held during the year ended 31 December 2023 is set out in the table below:

	Attendance/Number of Meetings						
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee	Annual General Meeting	Extraordinary General Meeting
Mr. Li Jun	5/5	–	–	3/3	–	1/1	2/2
Mr. Lo Chi Sum	5/5	–	–	–	–	1/1	2/2
Mr. Li Liang	5/5	–	–	–	–	1/1	2/2
Ms. Zhao Hui Li	5/5	–	4/4	–	–	1/1	2/2
Mr. Ma Zhan Kai	5/5	2/2	4/4	3/3	–	1/1	2/2
Dr. Yu Guo Jie	5/5	2/2	–	–	–	1/1	2/2
Mr. Cui Xiao Bo [(1)]	5/5	2/2	4/4	3/3	–	1/1	2/2
Mr. Kong Hua Wei [(2)]	–	–	–	–	–	–	–

1. Mr. Cui Xiao Bo resigned as an independent non-executive Director with effect from 1 December 2023.

2. Mr. Kong Hua Wei was appointed as an independent non-executive Director with effect from 1 December 2023.

During the year ended 31 December 2023, an annual general meeting of the Company was held on 19 June 2023 and two extraordinary general meetings of the Company were held on 27 February 2023 and 19 June 2023 respectively. The Company held a total of five Board meetings during the year ended 31 December 2023. Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other executive Directors during the year.

F. Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. Highlights of the Group's risk management and internal control systems include the following:

- Code of conduct — The Company's code of conduct explicitly communicates to each employee its values, acceptable criteria for decision-making and its ground rules for behavior.

- Process to identify and manage significant risks and material internal control defects — Significant risks or internal control defects identified by the management during the ordinary business operation of the Group will be reported to the Board as soon as practicable for further evaluating and management. A Board meeting will be held to conduct review and evaluation on the significant risks or internal control defects and appropriate actions will be taken to control the risks or to improve the internal control defects. For the year ended 31 December 2023, no significant risks, or material internal control failings or weaknesses have been identified by the Board or the management.

- Internal audit functions — The internal audit functions of the Group have been performed by the collaboration of the Board's office, chief executive's office, finance department, legal department and human resources department recommending necessary by regular financial and operational review and recommending necessary actions to the management. The works carried out by the aforesaid departments of the Company ensure the risk management and internal control measures are in place and function properly as intended. The results of the internal audit and reviews are reported to the executive Directors and the Audit Committee.

- Compliance with the Listing Rules and relevant laws and regulations — The Group will continue to monitor its compliance with relevant laws and regulations and continue to arrange for various trainings to be provided by its legal advisers or other professional parties to the Directors and management on the Listing Rules, PRC laws and regulations, etc.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The management has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2023.

The Board, as supported by the Audit Committee as well as the management, conducted an annual review on the risk management and internal control systems, including the financial, operational and compliance controls of the Group for the year ended 31 December 2023, to ensure the adequacy of resources, staff qualifications and experience, training programs and budget of accounting, internal audit, training reporting, etc. The Board considered that such systems and the process for financial reporting and Listing Rules compliance are effective and adequate.

The Group has adopted the Guidance on Information Disclosure (《交個朋友控股有限公司信息披露指引》) which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosures and responding to enquiries. The policy is to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated responsible persons and departments for managing and handling the inside information;

- Specified disclosure requirements under the Listing Rules; and

- Stipulated disclosure procedures.

G. Directors' Responsibility In Respect of the Consolidated Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2023.

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

The statement of the independent auditor of the Group about their reporting responsibilities in the consolidated financial statements is set out in the section headed "Independent Auditor's Report" in this annual report.

H. Auditor's Remuneration

The remuneration paid/payable to the Company's external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2023 amounted to RMB1.85 million and RMBNil respectively.

An analysis of the remuneration paid/payable to the external auditor of the Company, Mazars CPA Limited, in respect of audit services and non-audit services for the year ended 31 December 2023 is set out below:

Service Category	Fees Paid/Payable (RMB)
Audit Services	
— Annual audit for the year ended 31 December 2023	1.85 million
TOTAL	1.85 million

I. Company Secretary

Ms. Chan Sze Ting of Tricor Services Limited, external service provider, has been engaged by the Company as the company secretary. Her primary contact person of the Company is Mr. Li Jun, the Chairman and an executive Director.

In compliance with Rule 3.29 of the Listing Rules, Ms. Chan Sze Ting has undertaken no less than 15 hours of relevant professional training for the year ended 31 December 2023.

J. Shareholders' Rights

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

1. Convening an Extraordinary General Meeting

Extraordinary general meetings may be convened on the requisition of one or more shareholders (including a recognized clearing house (or its nominee)) holding, at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company pursuant to article 64 of the Articles. Such requisition shall be made in writing to the Directors or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fail to proceed to convene such meeting, 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 Directors shall be reimbursed to the requisitionist(s) by the Company.

2. Putting Forward Proposals at General Meetings

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal (the "**Proposal**") with his/her/its detailed contact information at the Company's address as mentioned below. The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

3. **Procedures for Shareholders to Propose a Person for Election as a Director**

If a shareholder wishes to propose a person (the "**Candidate**") for election as a director at a general meeting, he/she should deposit (i) a written notice of the intention to propose the Candidate for election as a director; and (ii) a written notice by the Candidate of his/her willingness to be elected to the Company or the Company's branch share registrar in Hong Kong at the address mentioned below at least seven clear days before the date of the general meeting and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven clear days in length.

4. **Putting Forward Enquiries to the Board**

Shareholders may put forward any enquiries or requisitions to the Board by sending written enquiries to the Company.

5. **Procedures for Raising Enquiries**

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Unit 10, 4/F., Kwai Cheong Center, No. 40–52 Kwai Cheong Road, New Territories, Hong Kong
Attention:	Board of Directors
Email:	investor@befriends.com.cn

Shareholders should direct their enquiries about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Tricor Investor Services Limited

Address:	17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2810 8185

Shareholders are encouraged to make enquires via the online enquiry form available on the Company's website at www.befriends.com.cn and are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate. The Company will not normally deal with verbal or anonymous enquiries.

K. Communication with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

L. Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

A summary of the Shareholder's Communication Policy is set out as follows:

- Shareholders and the investors may at any time make a request for the Company's information to the extent such information is publicly available;
- Corporate communication will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding;
- Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents, etc;
- Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings;
- Board members, in particular, the chairmen of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions; and
- Investors/analysts briefings and one-on-one meetings, media interviews, etc. will be available on a regular basis in order to facilitate communication between the Company, Shareholders and the investors.

During the Reporting Period, the Company held three general meetings with all Directors attended to answer questions from the Shareholders. All the public information published on the Stock Exchange have also been published on the Company's website in English and Chinese versions to facilitate the Shareholder's understanding. Several investors' briefings or one-on-one meetings have been arranged to enhance communication with the Shareholders and investors.

Based on the information set out in the above paragraphs, the implementation of the Shareholders' Communication Policy, which has been reviewed during the Reporting Period, is considered to be effective.

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors, including but not limited to the actual and expected financial performance of the Company, Shareholders' interests and the Group's debt-to-equity ratio and return on equity ratio, etc., as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

M. Company's Constitutional Documents

There was no change in the Company's constitutional documents for the year ended 31 December 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

INTRODUCTION

Be Friends Holding Limited (the "**Company**") together with its subsidiaries (the "**Group**" or "**We**") are pleased to present the Environmental, Social and Governance Report ("**ESG Report**" or the "**Report**") for the year ended 31 December 2023 for the purpose of disclosing the Group's environmental, social and governance measures and performance and summarize the Group's management of major environmental, social and governance issues that would affect its operations.

REPORTING BOUNDARY AND PERIOD

The Report describes the overall performance of the Group in sustainable development related to its core business, including new media services and television broadcasting business, as well as the implementation of its ESG strategy during the financial year from 1 January 2023 to 31 December 2023 (the "**Reporting Period**")[1].

REPORTING BASIS AND FRAMEWORK

The Report is principally prepared with reference to Appendix C2 Environmental, Social and Governance Reporting Guidelines (the "**ESG Guidelines**") of the Listing Rules of The Stock Exchange of Hong Kong Limited ("**HKEX**") in compliance with the disclosure requirements of the "comply or explain" provisions under the ESG Guidelines.

Materiality: Our ESG-related materiality is determined by the board of directors after discussion with reference to the ESG guidelines. The procedure for stakeholder communication and material issue identification and material issue matrix are disclosed in the Report.

Quantification: The statistical standards, methods, assumptions and/or calculation tools for quantitative key performance indicators including emissions, energy consumption and water consumption, as well as the sources of conversion factors, are defined in the supplementary notes of this Report.

Balance: This Report has been prepared in consistent with previous years, presents the Group's performance for the Reporting Period in an unbiased manner, avoiding selections, omissions or formats of presentation that might improperly influence the decisions or judgments of the readers of this Report.

Consistency: Changes in statistical methods in this Report are explained in the annotations.

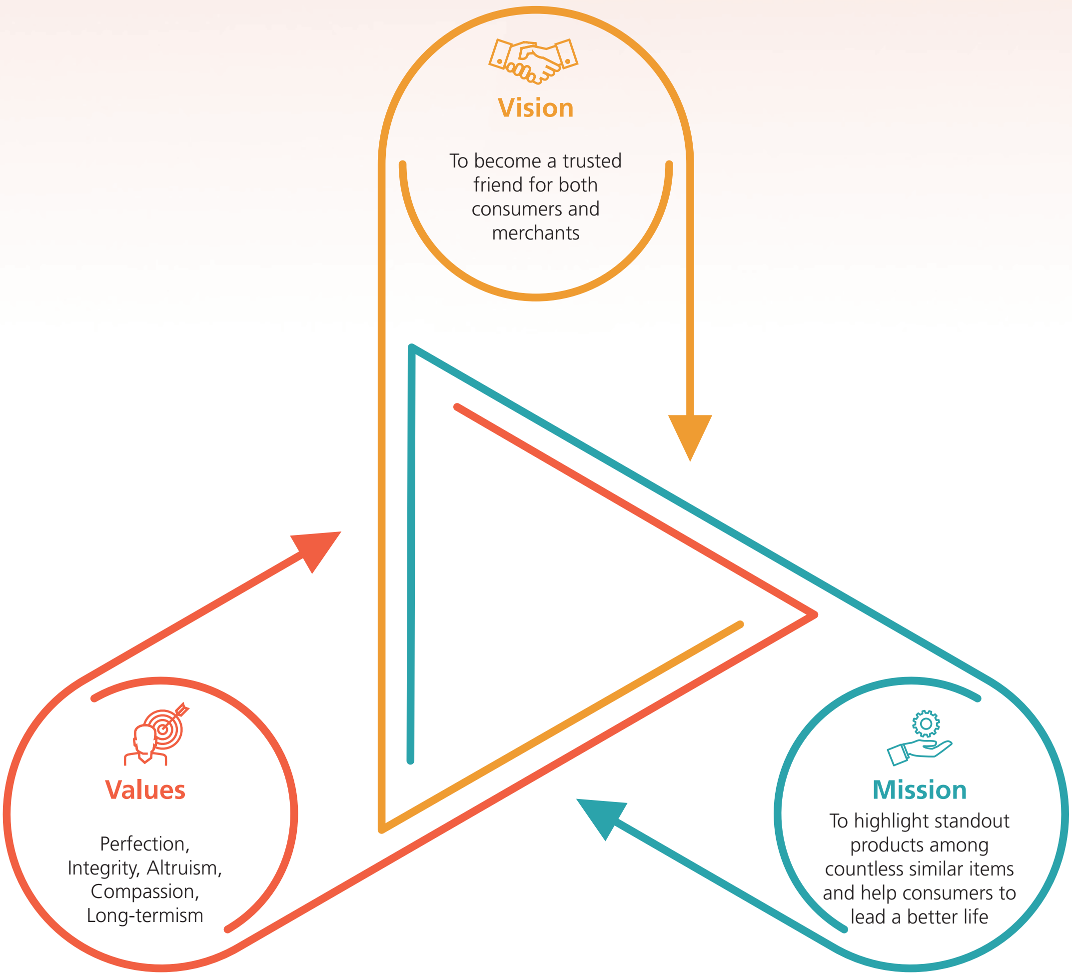
PUBLICATION OF REPORT AND APPROVAL

This Report discloses in detail the ESG work progress and goal setting of Be Friends Holdings in financial year 2023. It has been approved by the Group's Board of Directors (the "**Board**") to be released in conjunction with the annual report. The relevant electronic version can be found on the Company's website (www.befriends.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

1 Pursuant to the special resolution passed at the extraordinary general meeting on 19 June 2023, the English name of the Company was changed from "Century Sage Scientific Holdings limited" to "Be friends Holding Limited" and adopted "交個朋友控股有限公司" as the dual foreign Chinese name of the Company in place of "世紀睿科控股有限公司" with effect from 20 June 2023. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 4 July 2023 confirming the registration of the new English and dual foreign Chinese name of the Company in Hong Kong under Part 16 of the Companies Ordinance. All data related to the year 2022 mentioned in this Report are recorded and reported under the company's name at that time.

ABOUT BE FRIENDS

OUR CORPORATE CULTURE



OUR AWARDS

Influential Author of the Year

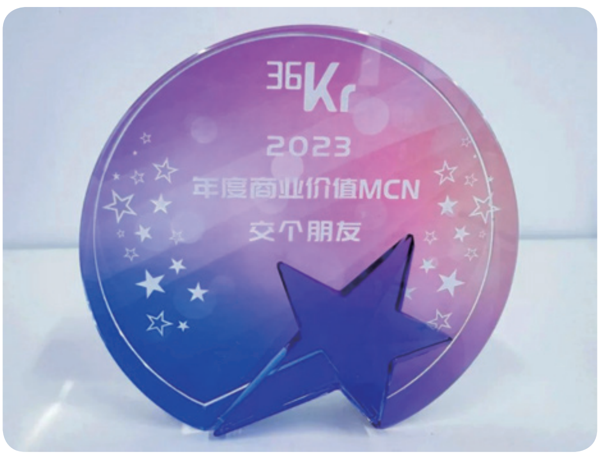
Influential MCN Organization of the Year

Douyin E-commerce Ecological Conference

Most Influential Organization of the year

Live Broadcast Sales King of the year

2023 2nd Cicada Star Awards

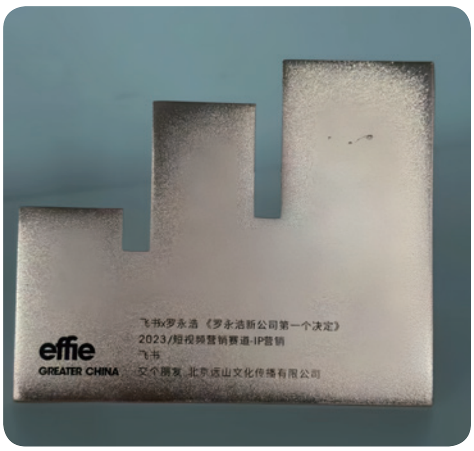


Commercially Valuable MCN of 2023
WISE2023 Future Consumption Conference

2023 Commercially Valuable MCN
30th China International Advertising Festival

Outstanding Talent Organization of the Year
2023 Douyin E-commerce Global
Shopping Industry Ceremony

Shanpin Commune's Live Broadcast Partners
for Helping Farmers
China Foundation for Rural Development



2023 Effie Awards

2023W. AWARDS
Live Broadcast Category Award

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABILITY GOVERNANCE

THE BOARD STATEMENT

The Board of the Group highly regards environmental, social and governance ("**ESG**") work and is the highest responsible and decision-making body of ESG matters. It bears full liability for the Company's ESG strategies and reporting, and monitors the ESG matters that may affect the Company's business or operation, shareholders and other stakeholders. The ESG working group under the Board is responsible for identifying and assessing the ESG risks that are related to the Group, ensuring that the Group has established appropriate and effective ESG risk management and internal control systems, reporting to the Board on the progress of achieving relevant ESG goals and conducting reviews. For details, please refer to the sub-section headed "ESG Governance Structure" in this Report.

The Group attaches great importance to the recommendations and opinions of various stakeholders, ensures sufficient channels to communicate with major stakeholders, discusses and determines the Group's material ESG issues and possible ESG risks, and continues to improve ESG-related strategies and policies. The Board has reviewed the material ESG issues for this year and has adopted proposals to adjust the materiality of each ESG issue in order to ensure the timeliness and reasonableness of the materiality matrix. For details, please refer to the sub-section headed "Materiality Assessment" in this Report.

The Group has established indicators related to carbon emissions, pollutant emissions, energy consumption, water resources management, etc., and the Board reviews the progress of the goals on an annual basis and considers any necessary adjustments or improvements to safeguard the progress of the Group in achieving its ESG goals. For details, please refer to the chapter headed "Conserving the Environment and Developing Green Lifestyle" of this Report.

ESG RISK MANAGEMENT

The Group regards ESG risk management as an integral part of corporate sustainability. Therefore, we have formulated an integrated ESG strategy to ensure that major ESG issues are fully integrated into the Group's strategic planning and daily operating decisions, and a long-term mechanism has been established. We have also formulated a complete risk management and internal control system. Not only does the integration of these ESG matters and risk management strategies fuse into our core business, but also penetrates into all levels of management process to ensure that, while economic benefits are pursued, the Group's operations will not ignore its environmental, social and governance impact.

With respect to risk information disclosure, the Board assumes major supervisory responsibilities to ensure that the Group's ESG risk management and information disclosure are in compliance with relevant laws, regulations and industry standards. Through continuous communication with investors, customers, suppliers and other stakeholders, we strive to enhance transparency and continuously increase our reliability and recognition.

ESG MANAGEMENT SYSTEM

As the highest responsible body for ESG strategy and management, the Board of the Group regularly discusses and reviews the Group's environmental, social and governance risks and opportunities, supervises and manages the Company's ESG matters, and incorporates ESG into the Company's strategic and business decisions, including formulating ESG strategies, goals and indicators, as well as monitoring their implementation, to ensure that the Company takes into account environmental and social responsibilities while pursuing economic interests. The Group has established an ESG working group, whose members include senior management and relevant employees responsible for ESG matters in each department, responsible for the coordination and implementation of specific ESG work, regular discussions, provision of information, and preparation of ESG reports to the Board.

ESG GOVERNANCE STRUCTURE

In order to strengthen the ESG management system and incorporate ESG into the management and decision-making of the Company, the Group has established a progressive three-level ESG governance structure. This structure is divided into two parts: the Board and the ESG working group. The working group is further divided into management and enforcement:

The Board — Management of the working group —Enforcement of the working group

The Board:

- The highest responsible body for ESG strategy and management, taking full responsibility for ESG strategy and reporting
- Review key ESG issues, discuss ESG risks and opportunities, and determine the direction of ESG work

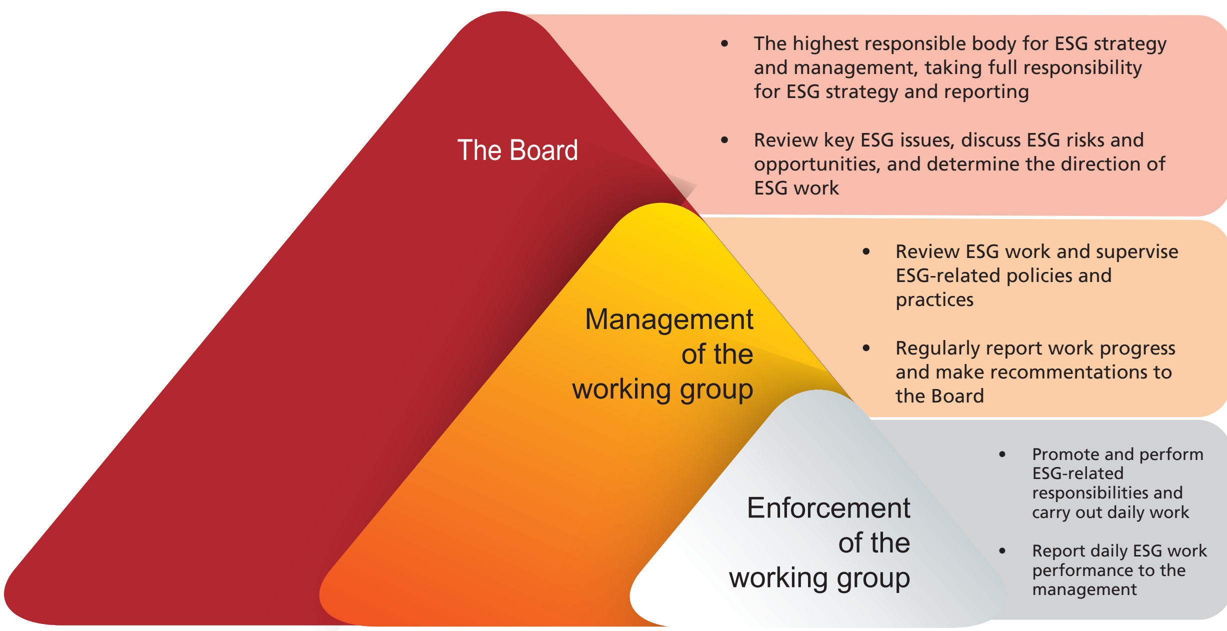
ESG Working Group:

Senior Management Personnel:

- Review ESG work and supervise ESG-related policies and practices
- Regularly report work progress and make recommendations to the Board

Relevant Employees of ESG Related Issues:

- Promote and perform ESG-related responsibilities and carry out daily work
- Report daily ESG work performance to the management



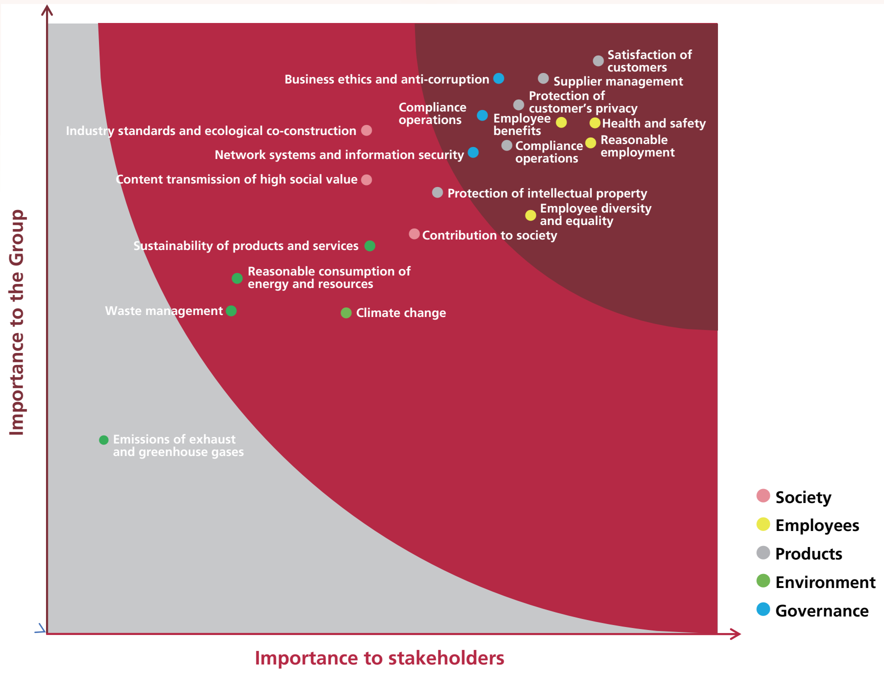
STAKEHOLDER ENGAGEMENT

The Group values the views of stakeholders. In order to understand and address stakeholders' concerns, we are committed to establishing diversified communication channels, close cooperation with stakeholders, continuously listening to expectations and requests, discussing and reviewing matters that require intensive care. In formulating operational strategies and ESG governance measures, the Group cooperates with different parties, including but not limited to investors, employees, suppliers, governmental and regulatory authorities, shareholders, customers and communities, to create higher value for the community.

Stakeholders	Communication channels	Expectations
Investors and shareholders	• Regular reports and information disclosures • Annual general meetings and other shareholder meetings • Announcements and circulars • Official website	• Compliance operations and corporate governance • Corporate strategy • Risk management • Return on the investment
Governmental and regulatory authorities	• Regular working meetings and seminars • Regular reports and information disclosures	• Compliance with laws • Corporate social responsibility • Anti-corruption • Green development
Suppliers	• On-site inspections • Business meetings • Phone calls and E-mails	• Suppliers management • Business ethics and reputation • Win-win cooperation • Fair competition • Long-term and stable partnership
Customers	• Daily services and communication • Financial reports • Official website • Customer service hotline and platform	• Customer's privacy protection • Stable relationship • High-quality of product and service provided • Customer's rights protection
Employees	• Internal compliant and feedback mechanism • Regular management communication and performance evaluations	• Employee's rights protection • Remuneration and benefits • Career development and training
Communities	• Mass media • New media platform • Press conference • Volunteer activities	• Environmental protection • Compliance operations • Giving back to society

MATERIALITY ASSESSMENT

The management and the employees with major roles of the Group have participated in the preparation of this ESG Report to assist the Group in reviewing its operations, identifying relevant environmental, social and governance issues and assessing the materiality of these relevant issues to the Group's business and stakeholders. We conducted an materiality analysis through questionnaire and followed the four steps of issue identification, research, screening evaluation and review, resulting in the selected 20 issues to form the materiality matrix.



TREASURING EMPLOYEES BASED ON PEOPLE-ORIENTED PRINCIPLE

SAFEGUARDING EMPLOYEE'S RIGHTS

In today's competitive business environment, the Group firmly holds on to its belief that talent is the most valuable resource for an enterprise. Therefore, we are committed to implementing the "people-oriented" principle to guide the construction of our human resources strategy and corporate culture. Our goal is to create a working environment full of respect, support and development opportunities for every employee. The Group's human resources department holds regular meetings, for example, at least once a month, to review the Group's performance and compliance with employment and labour-related matters. During the Reporting Period, the Group was not aware of any serious violations of relevant laws and regulations.

EQUALLY EMPLOYMENT OPPORTUNITY AND DIVERSITY

The Group has strictly abided by the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Employment Ordinance (《僱傭條例》) in Hong Kong and other regulatory requirements, and formulated a series of management regulations, including employee handbooks. We strive to create a just environment where every employee, regardless of gender, has equal opportunities for employment and promotion. We guarantee that employees will always be treated fairly without regard to gender, age, physical condition or religion. We respect the dignity and individuality of everyone and will not tolerate any form of discrimination or aggression in the workplace. In the event of such situations, we will take immediate action, conduct a complete investigation, and take necessary measures to ensure the safety and rights of our employees.

REMUNERATION AND BENEFITS

We strive to establish a remuneration system that is fair and conducive to the personal development of employees, ensure that employees enjoy adequate rest days and leaves, thereby increasing the breadth and depth of welfare protection, and continuously improving employee satisfaction. The Company has implemented a flexible working hour system. In addition, the Company ensures that employees are entitled to paid annual leaves and other statutory holidays in accordance with laws, such as marriage leave, bereavement leave, sick leave, etc. With respect to employee benefits, the Company provides five insurances and one fund for employees who have signed labour contracts, while paying social insurance premiums in full and on time and providing supplementary medical insurance to safeguard employees' rights and interests completely. In addition, the Company also provides employees with various subsidies, including transportation, meals, etc., and provides employees with gifts during traditional holidays to demonstrate the Company's care and recognition of its employees.

ELIMINATING CHILD LABOUR AND FORCED LABOUR

The Group strictly abides by laws and regulations involving child labour and preventing forced labour, such as the "Provisions on the Prohibition of Using Child Labour" (《禁止使用童工規定》). We have established a rigorous recruitment process, including a detailed background inspection of candidates and verification of the applicant's identity document, to ensure that the applicant is of legal working age.

To address any possible exceptions, the Group has also established an official reporting and handling mechanism. By regularly reviewing and monitoring our recruitment practices, we strive to prevent the risk of child labour or forced labour in our operations. In addition, we prudently select our business partners to avoid working with suppliers or contractors who may use child labour or forced labour in their operations.

As a leading all-media services provider in the industry, the risks to the Group regarding labour standards are minimal, and no major events of violation against relevant laws have been discovered. We are firmly opposed to any form of forced labour or child labour. We are able to confirm that we are not aware of any such violations within our Group during the Reporting Period.

As at 31 December 2023 and 2022, the details of employment of the Group are as follows:

		As at 31 December 2023		As at 31 December 2022	
Employee data		**Number**	**Percentage**	**Number**	**Percentage**
Total number of employees		**1,260**	**100.00%**	**785**	**100.00%**
By gender	Male	557	44.21%	400	50.96%
	Female	703	55.79%	385	49.04%
By age	30 and below	852	67.62%	525	66.88%
	31 to 40	333	26.43%	206	26.24%
	41 to 50	61	4.84%	38	4.84%
	51 and above	14	1.11%	16	2.04%
By nature of employment	Full time	1,055	83.73%	685	87.26%
	Part-time	205	16.27%	100	12.74%
By region	Mainland China	1,256	99.68%	780	99.36%
	Hong Kong, China	4	0.32%	5	0.64%

Employee turnover rate		2023 Percentage	2022 Percentage
By gender	Male	30.98%	13.88%
	Female	28.12%	16.92%
By age	30 and below	31.19%	13.85%
	31 to 40	25.93%	20.19%
	41 to 50	23.08%	18.60%
	51 and above	16.67%	6.67%
By region	Mainland China	29.36%	15.40%
	Hong Kong, China	42.86%	16.67%

WELLBEING OF EMPLOYEE

To promote cooperation and communication among department employees, foster a united and harmonious working atmosphere within the Company and enhance better communication between department employees and across departments, the Group has established special fund for team-building activities in various departments. We also provide employees with various unique benefits, such as gym, internal product purchase events, tasting sessions, afternoon tea, and emotional care benefits, including emotional relief and healing salon.

HEALTH AND SAFETY

The Group dedicated to providing employees a safe, healthy and hygienic working environment. We truly believe that a good working environment is crucial for enhancing employee satisfaction and productivity, and we take pride in it. The Group's internal rules and code of conduct explicitly outline guidelines for occupational health and safety, and these guidelines are continuously instilled in newly joined employees through targeted training.

We provide unified guidance and supervision on the workplace health and safety conditions for all subsidiaries, ensuring compliance with relevant occupational health and safety laws, regulations, and industry standards in China. This includes, but is not limited to the Labour Law of the People's Republic of China (《中華人民共和國勞動 法》), the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共 和國職業病防治法》) and the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》) of Mainland China and Occupational Safety and Health Ordinance (《職業安全及健康條例》) and Employees' Compensation Ordinance (《僱員補償條例》) of Hong Kong. In addition, we have established various daily operation manuals that explicitly outline rules for occupational health and safety, aiming to enhance awareness of occupational safety and health for all employees.

During the Reporting Period, the Group had implemented the following measures to address and monitor health and safety concerns:

✓ **Mental Health Concern:** Closely concerned about the mental health status of employees and provide routine annual health check-ups for all staff. New employees are required to undergo detailed medical examinations before joining, which must be completed at eligible hospitals. Only those who pass the examination are eligible for employment.

✓ **Training Improvement:** Health and safety guidelines at work are outlined in the employee handbook, regular occupational health and safety training sessions are conducted for new employees to ensure their understanding of the Company's health and safety policies and procedures.

✓ **Safety Assessment:** Through consultations with employees ensure the safety of the workplace and confirm that personnel performing specific tasks possess the required relevant qualifications. Conducting health and safety risk assessment in workstations at least once per month to ensure the Group's measures are in place to minimise relevant risks.

✓ **First Aid Preparedness:** Ensure that first aid kits are well-stocked and conduct monthly checks on the types and expiration dates of medications, ensuring timely medical assistance can be provided in emergencies.

There were no work-related fatalities occurred in each of the past three years including the Reporting Period. There were no lost days due to work injury during the Reporting Period.

TRAINING AND DEVELOPMENT

The Group fully recognizes that employees' professional skills and systematic training play a decisive role in the Company's sustained growth and future success. Therefore, the Group actively advocates for employees to pursue professional education and training to foster their personal growth and career development. To achieve this goal, the Group has established and implemented a comprehensive training system and processes, including: the New Employee Onboarding Program, Management Trainee Program, Leadership Training Project — Navigational Program, Business Unit Team Leadership Program, and Customer Psychological Marketing Training; Each department conducts internal professional position-specific on-the-job training on a weekly or bi-weekly basis.

We are committed to ensuring that every employee continuously progresses and grows throughout their career. During the Reporting Period, all employees of our Group received comprehensive training, the training rate is 100%. This not only reflects our commitment to employee development but is also a core part of our corporate culture and social responsibility strategy.

Employee training data		2023			2022	
		Number	Training hours	Average training hours	Training percentage	Average training hours
Total		**1,260**	**14,954**	**12**	**–**	**–**
By gender	Male	557	6,611	12	16%	5
	Female	703	8,343	12	17%	4
By employment category	Directors	7	21	3	100%	2
	Senior management	3	18	6	1%	1
	Middle management	74	740	10	2%	19
	Junior management	142	1,704	12	–	–
	General staff	1,034	12,471	12	31%	4

During the Reporting Period, in order to better integrate ESG concepts into our daily operations and to fully understand our employees' situation, we have compiled more detailed statistics on employee data. For the year of 2022, only the data disclosed in the previous report is shown.

QUALITY AHEAD, STAY INNOVATIVE

OPERATING PRACTICES

Corporate reputation and product liability are of great importance to the Group. The Company provides its customers with professional and high quality services, while adhering to the corporate vision of "Become a reliable friend to consumers and business partners", which leads the Group to thoroughly understand its customers and operations, and to follow operating practices based on local and international laws. All our staff are required to abide by internal and external codes of integrity and conduct; any form of bribery, fraud, competitive conduct and corruption is strictly prohibited.

RESPONSIBLE MARKETING

The Group strictly complies with applicable laws and regulations in the advertising and promotion of its products and services, including but not limited to the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Measures for the Administration of Webcast Marketing (Trial Implementation) (《網絡直播營銷管理辦法（試行）》), Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》) and the Consumer Protection Law of the People's Republic of China (《中華人民共和國消費者權益保護法》), engage in reasonable promotion and advertising, and eliminate false advertising. During the live-streaming product sales process, we display the prices clearly, without exaggerated promotion; proactively show product information such as production dates, expiration dates, and other parameters. During the Reporting Period, the Group was not aware of any material noncompliance with relevant rules and regulations in relation to advertising and promotion of the Group's products and services.

PROJECT AND SERVICE QUALITY

Client satisfaction and service quality are key elements of the success of the Group's business. To ensure that these factors are given adequate attention, the Group is committed to establishing and maintaining close communication relationships with customers. This process ensures that we can continuously improve client satisfaction and make necessary improvements.

In the workflow of executing different projects and events, the Group has implemented strict control measures to ensure the quality of products and services provided is guaranteed. Prior to initiating any new projects or events, we engage in thorough communication with our customers to verify their expectations and requirements, ensuring that our services accurately align with the customer's needs.

During the process of providing services, we regularly receive instructions from customers, report on the progress of work, and provide professional advice to ensure that our services fully meet the customer's expectations; Actively solicit feedback from customers, monitor public responses, and through evaluating reports, we assess and adjust the services, ensuring the smooth progress of projects. In addition, to further enhance products and services quality, the Group holds meetings at least half- monthly/monthly to review any incident being reported, rectification measures, and make recommendations to improve the working procedures and the product features. Through such continuous monitoring and improvement mechanism, we can ensure that our business consistently meets or even exceeds customer expectations. Meanwhile, it ensures the products and services that we provide are continually progressing in terms of quality and safety.

The Group has a comprehensive recall policy in respect of self-developed and sold products. Such policy clearly defines the specific circumstances and related procedures for product recalls and is designed to ensure effective and appropriate handling regarding defective products to prevent any potential damages. We provide customers with sufficient information for them to understand product performance and operating instructions. In the event that customers need information relating to recalls or technical support for defective products, our customer service hotlines are always available for consultation.

During the Reporting Period, we did not receive any major customer complaints that would affect our business operations, nor did we recall any services or products due to any risks regarding safety or health. The one-on-one contact with customers is 671,959 times, response handling rate is 100% and the success rate is 99%. The complaint rate of live broadcasting platform under such business is 0.01%.

QUALITY AND STRICTLY SELECTED SUPPLIERS

The Company continuously pursues excellence in products and innovation, implementing relevant work on product quality assurance, with scientific and strict quality control standards to improve and enhance the quality of our self-developed products, providing consumers with outstanding products. In the process of product selection and choosing cooperative brands, the Group has implemented a series of rigorous review and screening measures to ensure collaboration with the most reputable and reliable brands, also the selected products are of high quality and reasonably priced.

The selection of cooperative brands is not solely dependent on the judgment of one department but is conducted through evaluations by various relevant departments. This ensures the comprehensiveness and objectivity of the review process. In addition, the Group established a dedicated team responsible for conducting detailed assessments and adjustments to the overall performance of prospective cooperators. This team considers factors such as market reputation, historical performance, and business stability of the prospective collaborators.

Five Dimensions Evaluation: When selecting products, we conduct a comprehensive evaluation based on five aspects, including brand strength, product quality, customer reviews, sales performance, and price competitiveness, which ensures that it is not only about competitive pricing but more importantly about the overall quality and market performance of the products.

Three-stage Product Selection Process: The establishment of a three-stage product selection process including the preliminary screening of secondary selection meeting, secondary selection meeting, and final selection meeting, rigorously screens products at each stage. This process ensures that only the highest-quality products are chosen and introduced to the market.

✓ **Preliminary screening of secondary selection meeting:** At this stage, we conduct a preliminary screening of products, excluding those products that obviously do not meet our standards.

✓ **Secondary selection meeting:** Among the products that passed the preliminary screening, we further conduct a detailed evaluation, involving deeper market analysis and consumer research.

✓ **Final selection meeting:** Finally, in the Final selection meeting, the screened products undergo a final review, ensuring that only those that best meet our standards are approved and presented to consumers.

Through such a rigorous product selection process and collaborators evaluation mechanism, the Group ensures the ability to provide customers with the highest quality products and services and establish long-term partnerships with the most reliable brands. This approach helps protect and enhance our brand image while meeting consumer demand for high-quality products. During the Reporting Period, we conducted a product survey that covered a total of 20 million consumers, with a satisfactory rate as high as 92%, which reflects our pursuit of excellence that value our product quality.

In addition, the Group is vigorously developing Trace the Source Live-streaming Events, exploring high-quality sources of brands, and continuously striving to find more outstanding products and beautiful sources for live-streaming sceneries for customers. Trace the Source Live-streaming can truly reduce price difference while ensuring quality, which is beneficial for consumers. On the other hand, through tracing back to the origin or factory, showcases the craftsmanship of the brand, allowing consumers to have a deeper understanding of product quality.

Trace the Source Live-streaming venue

The following table sets out the number of suppliers of the Group as at 31 December 2023:

Supplier region (based on the location of its headquarters	Number of suppliers
Mainland China	928
Hong Kong, China	6
Overseas	21

PROMOTE INDUSTRY DEVELOPMENT

The Group actively participates in industry exchanges and continues to engage in the drafting and trial implementation of national, local, and industry-related standards, driving the process of industry standardization. We are committed to promoting collaboration between industries, enhancing industry empowerment, and achieving synergistic development of the supply chain. During the Reporting Period, we participated in the review and preparation of the "After-sales Service Standards for Online Live-streaming Marketing[1]" (《網絡直播營銷售後服務標準》), the "Standards for Online Live-streaming Marketing Selections[1]" (《網絡直播營銷選品規範》) and the "Standards for Compliance Management of Live-streaming Rooms on Sharing Economy Platforms[1]" (《共享經濟平臺直播間合規管理規範》) to ensure the healthy development of the live-streaming e-commerce industry.

Case 1: At the second World Live-streaming E-commerce Conference, the Group together with representatives from various industries, initiated the Live-streaming E-commerce High-Quality Development Initiative (《直播電商高品質發展倡議》). This initiative aims to collectively support the development of new industry formats and models, promote the upgrading of physical industries, enhance talent service ecosystems, improve the quality and brand of domestic products, and boost prosperity in the consumer market. In the future, the Group will leverage digital new economic technologies to support high-quality brands from various regions in China to go global. Together with digitalized e-commerce, we aim to inject new vitality into the development of digital technologies and the deep integration of the global industrial value chain.

Be Friends took part in the 2023 World Live-streaming E-commerce Conference[2]

[1] For identification purpose only.

[2] Photo source: Department of Commerce of Zhejiang Province.

Case 2: During the Reporting Period, nearly a hundred top executives from domestic leading brands participated in the Group's salon event with themes such as "Live-streaming E-commerce Trend", "Digitalization Practices" and "Consumer Brands Building In-House Live Studios", together, they explored the development direction of adapting to diverse consumer preferences and strengthening brand innovation and operations.

Digitalization Practices sharing venue

COMPLIANCE AS THE FOUNDATION, ADHERING TO THE BOTTOM LINE

ANTI-CORRUPTION, EXTORTION, FRAUD AND MONEY LAUNDERING

The Group strictly complies with local laws and regulations at locations where it operates, including but not limited to the Law of the People's Republic of China on Anti-Unfair Competition (《中華人民共和國反不正當競爭法》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), and Chapter 201 of the Laws of Hong Kong, the Prevention of Bribery Ordinance(《防止賄賂條例》). A comprehensive Anti-fraud Management System (《反舞弊管理制度》) has been established, outlining in detail the Group's goals, policies, and procedures for anti-corruption, extortion, fraud, and money laundering. This system is designed to prevent and combat corrupt practices, ensuring the Company's integrity, healthy development, and operations. During the Reporting Period, to ensure the ability of employees at all levels to identify and prevent corruption, we provided a total of 2,520 hours of anti-corruption training to all employees, which demonstrates our full commitment and determination to establish a clean corporate culture.

To encourage transparency and prevent misconduct, the Group has established a Whistleblowing Policy (《舉報政策》), allowing employees and business associates to raise concerns about any misconduct, malpractice or unethical acts in a confidential and anonymous manner. This policy helps in promptly identifying and preventing any misconduct within the Company.

The Group implements an annual self-evaluation procedure to comprehensively review the implementation of relevant regulations and codes of conduct. This measure is aimed at ensuring that daily operation and management activities align with the Company's stipulations, striking a balance to safeguard the interests of the Group and its stakeholders and also seeks to foster the establishment and maintenance of long-term collaborative relationships. To further strengthen internal controls and ensure the effective implementation of policies, the Group engages independent auditors to carry out external audits of our operations. This initiative aims to proactively prevent and control potential corruption or unethical acts within the Company through a system of internal and external oversight.

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations. Meanwhile, there were no legal proceedings or complaints of corruption against the Group or any of its staff.

INFORMATION SECURITY AND PRIVACY PROTECTION

The Group fully recognizes the importance of protecting personal privacy when collecting, processing, and using the personal data of customers, business partners, and employees in the course of business operations. Therefore, the Group is committed to and strictly adheres to all applicable data protection regulations, including the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) and Hong Kong's Personal Data (Privacy) Ordinance (《個人資料（私隱）條例》), to ensure the security of personal data. In addition, the Group has established a Confidentiality System (《保密制度》) to ensure the normal production and operation of the Company and strengthen the management of confidentiality work. This system includes the management of classified employees, classified documents, electronic files, computers, workplaces, meetings, external communications, and other related matters and situations.

To prevent unauthorized data use or access, we have implemented the following measures:

✓ **Unified Management:** Establish a Confidentiality Working Group directly under the Company's decision-making level to specifically oversee the unified management of confidential information. All departments and employees of the Company should cooperate with the Confidentiality Working Group to effectively coordinate related tasks while performing their regular duties.

- ✓ **Technical Measures:** Adopt industry-standard security technologies and procedures to protect personal data from unauthorized access, use, or disclosure.

- ✓ **Limit Access:** Strictly restrict the scope of employees authorized to access personal data, allowing only those responsible for relevant business projects to access the confidential information of our customers.

- ✓ **Purpose of Use:** The personal data of our customers is only used for the purpose for which it has been collected, and its security is ensured during storage.

- ✓ **Non-disclosure Policy:** Employees are strictly prohibited from disclosing the personal data of customers to external parties without prior consent.

- ✓ **Training and Awareness Enhancement:** Provide regular training on data protection laws and regulations to employees, aiming to enhance their awareness and understanding of personal data protection.

RESPECT FOR INTELLECTUAL PROPERTY

We are well aware of the critical importance of intellectual property to our business. The daily operations of the Group not only involve the use of the intellectual property owned by customers and suppliers but also encompass our own intellectual property. Here are the specific measures we have implemented to protect these intellectual property rights:

- ✓ **Contractual Protection:** Explicitly include terms for the protection of intellectual property in contracts with customers or suppliers, ensuring that intellectual property is respected and protected throughout all collaboration processes. Regularly review all business contracts to ensure that the contractual terms are sufficient to protect the intellectual property of all contracting parties.

- ✓ **Internal Processes:** Set up and implement rigorous intellectual property protection management procedures to prevent unauthorized recording and infringement. Implement security code protection measures for internal data and confidential documents to prevent unauthorized access.

- ✓ **Personnel Management:** All new personnel joining the Group must sign confidentiality agreements to ensure their compliance with relevant rules and regulations in relation to the protection of confidential information. Technical professionals are also required to sign confidentiality agreements to prevent the disclosure of sensitive information. Employees are strictly prohibited from disclosing any confidential business information to third parties without prior written consent.

- ✓ **Employee Handbook:** Clearly stipulate in the employee handbook that employees are required to protect intellectual property and avoid any infringement.

During the Reporting Period, we have fully complied with intellectual property -related laws, including the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), and the Copyright Law of the People's Republic of China (中華人民共和國著作權法》). Through prolonged use, and registration of domain names, trademarks, and copyrights, we have established and maintained our intellectual property. Our trademarks have been applied for or registered in Hong Kong, Mainland China, and United Kingdom. We will continue to monitor and renew our trademark rights and domain names in a timely manner.

We commit to continuously strengthening our intellectual property protection strategy, ensuring that the Group's innovations and intellectual achievements receive proper respect and protection.

CONSERVING THE ENVIRONMENT AND DEVELOPING GREEN LIFESTYLE

ENVIRONMENTAL POLICIES AND PERFORMANCE

In the course of its operations, the Company strictly abides by the environmental laws and regulations in force in China such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and Law of the People's Republic of China on the Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治法》), as well as other national laws, regulations and policy requirements.

In line with the national dual-carbon strategy, we have formulated emission reduction measures and launched emission reduction activities to strictly control our carbon emissions and realize our low-carbon operation. At the same time, we strictly monitor water and electricity consumption as a core part of our environmental management to help achieve sustainable development. During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations.

EMISSIONS MANAGEMENT

During the Reporting Period, the core businesses of the Group were mainly focused on provision of new media services, development of all-media application solutions, sales of self-developed products and system maintenance services. Since our business processes do not involve any large-scale production activities, the Group and its offices do not generate a significant amount of direct emissions from sources that are owned or controlled by the Group. Our greenhouse gas emissions are mainly derived from daily office electricity consumption.

In strict compliance with laws and regulations in respect of environmental protection in its operating areas, during the Reporting Period, the Group had implemented a number of environmental management measures including:

- Reducing unnecessary business trips by staff members, increase the usage of online conference systems, and try to use rail instead of plane travel.

- Encouraging staff to use public transport, bicycles and other low-carbon transport means so as to reduce exhaust emission and fossil fuel consumption.

The current target for emission reduction set by Board in the coming years is to reduce carbon emissions from employee commuting and business travel by encouraging low-carbon travel.

The Group has made a new attempt to disclose GHG Scope 3 emissions during the Reporting Period by calculating emissions from wastewater treatment and business travel, as summarized below:

GHG emission[2]	2023	2022	Unit
Total GHG emission	**1,506.65**	**302.17**	**Tonnes CO_2e**
Total intensity of GHG emission	**1.40**	**0.71**	**Unit amount/million of revenue[3]**
Scope 1	–	–	Tonnes CO_2e
Scope 2			
Emission from electricity consumption[4]	1,087.62	302.17	Tonnes CO_2e
Total emission (scope 2)	1,087.62	302.17	Tonnes CO_2e
Total emission intensity (scope 2)	1.01	0.71	Unit amount/million of revenue
Scope 3			
Wastewater treatment	1.68	–	Tonnes CO_2e
Business travel[5]	417.35	–	Tonnes CO_2e
Total emission (scope 3)	419.03	–	Tonnes CO_2e
Total emission intensity (scope 3)	0.39	–	Unit amount/million of revenue

ENERGY CONSUMPTION AND RESOURCES MANAGEMENT

The Group is committed to promoting an energy-saving, low-carbon and environmentally friendly office culture, creating a comfortable and convenient working environment for our staff, and at the same time ensuring the efficient recycling of resources. The resources we mainly use include electricity consumed for daily office operations and water resources supplied by the municipal government. During the Reporting Period, we adhered to legal compliance in the use of energy and resources, and there were no major violations of laws or regulations.

ELECTRICITY AND ENERGY CONSUMPTION

The Group recognizes that energy source is one of the key elements to achieve sustainable development. Improving energy consumption efficiency not only can enhance the environmental performance of the Group's business, but also help reduce operating costs and improve operational efficiency in the long run. To promote the concept of energy conservation, the Group conducts regular education and awareness programs for employees and strives to integrate it into the corporate culture. In terms of energy consumption, the use of electricity accounts for the Group's major energy consumption.

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2 GHG emissions data is presented in carbon dioxide equivalent and was in reference to "How to prepare an ESG Report — Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange

3 All intensity data mentioned in this Report are calculated based on the Company's revenue data. For details, please refer to the Consolidated Statement of Profit and Loss in the report.

4 The calculation factor for emissions from electricity consumption is taken from the 2022 average emission factor of the national grid in the "Notice on the Management of Greenhouse Gas Emission Reports of Enterprises in the Power Generation Industry from 2023 to 2025" issued by the Ministry of Ecology and Environment of the People's Republic of China.

5 The calculation for business travel (scope 3) is based on the aviation carbon footprint calculation methodology proposed by the International Civil Aviation Organization (ICAO) and the International Air Transport Association (IATA).

The Group has implemented the following energy-saving management measures to save the energy consumption in the daily operations:

- Comprehensively upgrading LED lighting and posting energy-saving notices in work areas and office meeting rooms to achieve more efficient energy consumption.
- Installing sensor switches or timers to automatically control lighting in office areas to reduce unnecessary energy consumption.
- Encouraging and ensuring every staff is environmentally conscious and gets into the habit of turning off electronic appliances and lights when not in use.
- Controlling usage of air conditioners in places of business and offices, monitoring their temperature settings and turning off air conditioners in unoccupied rooms to save energy.
- Switching relevant office equipment and electronic appliances to energy-saving mode; for example, enabling the printers and computers to automatically power down after a period of inactivity.
- Strengthening the energy-saving awareness of security staff to ensure that they can promptly turn off unused lights and air conditioners during inspections.

The current target for electricity consumption reduction set by the Board in the coming years is mainly to identify possible energy-saving opportunities in the process of selecting the Group's environmentally friendly equipment and facilities, and to pursue more energy-efficient products and new technologies to reduce energy consumption, such as the installation of energy monitoring and management systems and the procurement of low energy consumption office equipment, etc.

A summary of total electricity consumption of the Group is as follows:

Indirect energy	Consumption			Consumption intensity		
	2023	2022	Unit	2023	2022	Unit
Total indirect energy consumption	**1,907,098**	**500,274**	**kWh**	**1,775.14**	**1,175.44**	**Unit amount/ million of revenue**
External electricity	1,907,098	500,274	kWh	1,775.14	1,175.44	Unit amount/ million of revenue

During the Reporting Period, our total electricity consumption increased correspondingly due to the significant growth of our new media service business. In addition, the increase in the number of employees also had an impact on the energy consumption of office facilities.

WATER CONSUMPTION

The Group endeavours to enhance water efficiency and encourages its staff to fulfill their obligation of water saving. The measures taken by the Group to promote water saving including:

- Using water-efficient equipment in offices.
- Strengthening routine inspection, maintenance and management of water equipment and conducting regular patrol inspections to identify any water leakage.
- Posting water-saving notice and cultivating water-saving concepts for employees.

Due to the geographical location of the Group's operation and nature of business, there is no issue in sourcing water that is fit for purpose. The current target for water consumption reduction set by the Board in the coming years is mainly to encourage employees to bring their own reusable water bottles and conduct water conservation education campaigns to reduce water consumption.

A summary of the total water consumption of the Group is as follows:

Resources consumption	Consumption			Consumption intensity		
	2023	2022	Unit	2023	2022	Unit
Total consumption of water resources	**8,351.92**	**2,824.74**	**Tonnes**	**7.77**	**6.64**	**Unit amount/ million of revenue**
Consumption of municipal water supply	8,127.92	–	Tonnes	7.57	–	Unit amount/ million of revenue
Consumption of bottled water	224.00	–	Tonnes	0.21	–	Unit amount/ million of revenue

Although the Group has implemented the water-saving measures above, the overall water consumption during the Reporting Period increased significantly compared with the corresponding period due to the rapid development of its business.

WASTE MANAGEMENT

The Group does not generate significant amount of hazardous or non-hazardous waste in its business activities. The main wastes are office wastepaper and general domestic waste generated in the course of daily office work. For general domestic waste, we strictly follow regulations and carry out classified management; for daily office documents, we give priority to promoting paperless office and recommend the use of second-hand paper for printing.

The current target for emission reduction set by the Board in the coming years is to manage office wastepaper and general domestic waste generated in daily office work. We will increase the utilization rate of online systems and upgrade office systems to reduce paper consumption from the source.

Although the Group does not generate large amounts of hazardous and non-hazardous waste in its business activities and does not use packaging materials, we still disclose the data on non-hazardous waste, mainly office paper, during the Reporting Period, as summarized below:

Waste production	Consumption			Consumption intensity		
	2023	2022	Unit	2023	2022	Unit
Total production of waste	**1.52**	**–**	**Tonnes**	**0.001**	**–**	**Unit amount/ million of revenue**
Hazardous waste	–	–	Tonnes	–	–	Unit amount/ million of revenue
Non-hazardous waste	1.52	–	Tonnes	0.001	–	Unit amount/ million of revenue

ENVIRONMENT AND NATURAL RESOURCES

The Group firmly believes that environmental protection and preserving natural resources is an indispensable component of our responsible business. Notwithstanding the fact that the likelihood of our business having a direct impact on the environment is relatively small, we have made continuous efforts to improve our environmental performance through the implementation of a series of energy-saving initiatives and environmental management measures as mentioned above, such as optimization of energy usage, reduction of waste, promotion of resource recycling and enhancement of the overall awareness of environmental protection. The Group will also conduct review on its environmental policy from time to time and continue to seek opportunities to further reduce emission and resources consumption with the aim to reduce the impacts on environment and natural resources to minimal. We believe that through these efforts, we can contribute to a more sustainable future for our employees, customers and communities.

CLIMATE CHANGE

As an enterprise that highly recognizes the importance of low-carbon development, we actively respond to the call to achieve carbon neutrality, identify climate risks and enhance our ability to respond to potential climate-related risks. The Group has identified the potential financial or strategic impact on our business as set out below.

Type of risk		Impact	Response strategy
Transition Risks	Technology risks	• Use of emerging technologies with low-carbon may increase research and development expenses of the Group while lagging behind of technology advancement may weaken the Group's competitive edges.	• Examined the feasibility and benefits of applying the latest environmental technologies to the projects and services provided by the Group.
	Market risks	• Customers become more concerned about climate-related risks and opportunities, which may lead to changes in customer preference.	• Prioritize the climate change as a high concern in the market decisions to show to the customers that the Company is concerned about the problem of climate change.
	Reputation risks	• Negative press coverage related to support of the Group's business projects with negative impacts on the climate, which may affect the Group's reputation and image.	• Fulfilled the social responsibility by organising more public relation activities to show how the Group places importance on climate change. • Planned to participate renewable energy programs and adoption of more energy-efficiency measures.
	Policy and legal risks	• The Group may be exposed to litigation risks as it has to adapt the tightened law and regulations imposed by the government due to climate change, as well as bear the risk of potential litigation once it fails to obligate the new regulations.	• Monitor the updates of the relevant environmental laws and regulations against existing business operation of the Group.

Type of risk		Impact	Response strategy
Physical Risks	Acute risks	• Extreme weather such as typhoons, floods, droughts, etc. pose risks to our application solutions and system operation and maintenance services business and even to the cancellation of on-site projects. • Employee commuting safety issues.	• Take precautionary measures for staff during periods of strong typhoons and rainfall, such as allowing them to work remotely from home. • Planned to develop climate adaptation and insurance risk solutions. • Monitor weather forecasts and prepare contingency plans and measures in advance.
	Chronic risks	• Gradual changes in mean temperature and rising in sea levels are likely to pose disruptions to communities across the region over the long term, affecting economic output and business productivity.	• Record the energy consumption to identify peaks in usage, thus significant savings could be determined.

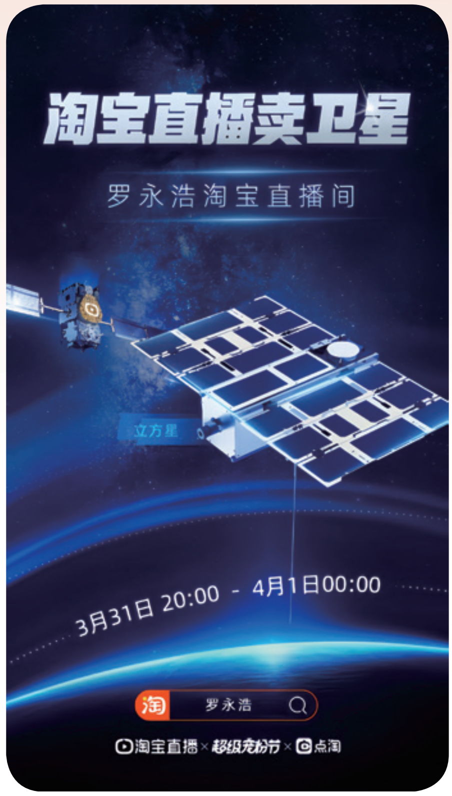
BUILDING A SOCIETY WITH RESPONSIBILITY

ATTACHED GREAT IMPORTANCE TO THE SOCIAL VALUE OF PRODUCTS

During the Reporting Period, the Taobao Live Channel of the Group successfully sold a domestic commercial satellite and the first domestic cruise ship "Customized Journey", and launched the "Most Hardcore Domestic Shopping Cart" campaign during the Double Eleven period, which featured a variety of global "The Pillars of the Great Power" with high-end, sophisticated and cutting-edge technology. This is undoubtedly a successful practice regarding Chinese domestic products of high quality on the road of innovative marketing, fully demonstrating the power of China's intellectual property, conveying the high-tech content and social value of domestic products, and at the same time, promoting the brand image of domestic products in the whole society.

Consumers not only have a deeper understanding of domestic large-scale industrial products in this live broadcast, but also enhance the trust and recognition of domestic brands. The combination of live broadcast and popularization of science demonstrated the practicality and advancement of the products, and allowed consumers to feel the cultural and spiritual connotations behind the products.

"The Pillars of the Great Power" live broadcasts



The precedent of E-commerce live broadcast of physical commercial satellite transaction

HELPING FARMERS AND PROMOTING RURAL DEVELOPMENT

Under the national strategy of rural revitalization, e-commerce live broadcasting activities to help farmers have gradually become a model for the integration of public welfare and business. The two special activities of "Be Friends" Live Channel to help farmers during the Reporting Period not only helped to solve the problems of surplus agricultural products and difficulties in sales, but also provided consumers with both quality and value of agricultural products, which realized a win-win situation in terms of social and economic benefits. We also provided consumers with agricultural products of both quality and value, realizing a win-win situation in terms of social and economic benefits. In this way, we played the role of a bridge connecting farmers and consumers, not only helping the sale of agricultural products, but also conveying the concept of positive public welfare, demonstrating the important role of e-commerce live broadcasting in promoting the development of agriculture and assisting the revitalization of rural areas.

Helping Farmers live broadcast on Pinggu peaches

Chongqing Helping Farmers live broadcast

Case: "Happy Eating at the Caring Kitchen" Activity

During the Reporting Period, "Be Friends" live channel participated in the "Sharing Love with Food Support- Caring Kitchen" public welfare project initiated by the China Rural Development Foundation, in particular a series of activities under the theme of "Happy Eating at the Caring Kitchen". The core purpose of this public welfare project is to provide better food services to children in rural schools through social forces to ensure that they can enjoy nutritious and healthy meals.

This event not only brought practical help to children in rural schools, but also raises public awareness of rural education and child nutrition issues. "Be Friends" live channel and anchor Dapeng have effectively utilized their influence and communication power through live broadcasts and short videos to gather social resources for the public welfare.

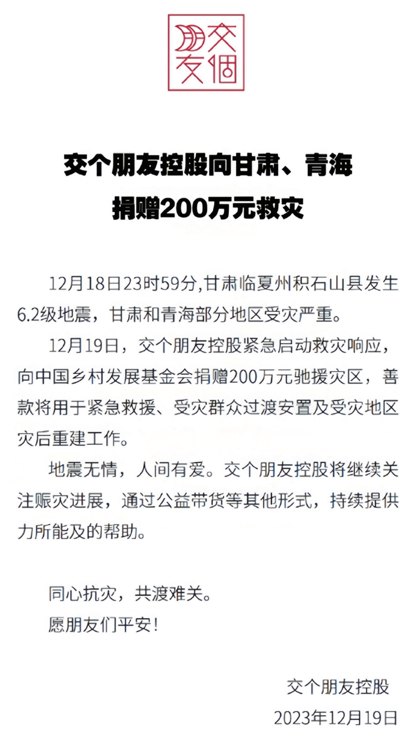
Anchor Dapeng honored as co-initiator of "Happy Eating at the Caring Kitchen" project

SUPPORTING THE DISASTER-STRICKEN AREAS AND CARING ABOUT THE SOCIETY

In August 2023, we took the first opportunity to lend a helping hand to the victims of extreme rainfall in the Beijing-Tianjin-Hebei region by donating RMB1 million to the China Education Development Foundation to set up the "Zhuozhou Rural School Post-Disaster Reconstruction Project", which focused on the post-disaster repairs and renovation of the Zhuozhou Rural Schools seriously affected by the flooding or the procurement of teaching equipment, and other charitable causes. Our live broadcasting channel has also become a bridge to convey love, and through the "Read One More Book for Zhuozhou" public welfare event, we raised funds for disaster-stricken publishers and book companies to help them tide over the difficult times.

In December 2023, when Gansu and Qinghai suffered earthquakes, we once again lent a helping hand by donating RMB2 million to the China Rural Development Foundation for the purchase of quilts, plumbing blankets, humanitarian aid boxes and other relief supplies, which were delivered to the disaster areas at the first time to help with the rescue and reconstruction work in the disaster areas.

"Read One More Book for Zhuozhou" public welfare event



交个朋友控股向甘肃、青海捐赠200万元救灾

12月18日23时59分,甘肃临夏州积石山县发生6.2级地震，甘肃和青海部分地区受灾严重。

12月19日，交个朋友控股紧急启动救灾响应，向中国乡村发展基金会捐赠200万元驰援灾区，善款将用于紧急救援、受灾群众过渡安置及受灾地区灾后重建工作。

地震无情，人间有爱。交个朋友控股将继续关注赈灾进展，通过公益带货等其他形式，持续提供力所能及的帮助。

同心抗灾，共渡难关。

愿朋友们平安！

交个朋友控股

2023年12月19日

Donate to the earthquake-stricken region

APPENDIX

ESG REPORTING GUIDE INDEX

Aspects	KPI	KPI description	Section
A. Environment			
A1: Emissions	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	CONSERVING THE ENVIRONMENT AND DEVELOPING GREEN LIFESTYLE
	A1.1	The types of emissions and respective emissions data.	EMISSIONS MANAGEMENT
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity (e.g. per unit of production volume, per facility).	EMISSIONS MANAGEMENT
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	WASTE MANAGEMENT
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	WASTE MANAGEMENT
	A1.5	Description of measures to mitigate emissions and results achieved.	EMISSIONS MANAGEMENT
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	WASTE MANAGEMENT

Aspects	KPI	KPI description	Section
A2: Use of resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	ENERGY CONSUMPTION AND RESOURCES MANAGEMENT
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	ELECTRICITY AND ENERGY CONSUMPTION
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	WATER CONSUMPTION
	A2.3	Description of energy use efficiency initiatives and results achieved.	WATER CONSUMPTION
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	The Group has found no issues in obtaining water sources in its business activities.
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group does not involve packaging materials in its business activities
A3: Environment and natural resources	General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	ENVIRONMENT AND NATURAL RESOURCES
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	ENVIRONMENT AND NATURAL RESOURCES
A4: Climate change	General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	CLIMATE CHANGE
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	CLIMATE CHANGE

Aspects	KPI	KPI description	Section
B. Society			
B1: Employment	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	SAFEGUARDING EMPLOYEE'S RIGHTS
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	SAFEGUARDING EMPLOYEE'S RIGHTS
	B1.2	Employee turnover rate by gender, age group and geographical region.	SAFEGUARDING EMPLOYEE'S RIGHTS
B2: Health and safety	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	HEALTH AND SAFETY
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	HEALTH AND SAFETY
	B2.2	Lost days due to work injury.	HEALTH AND SAFETY
	B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	HEALTH AND SAFETY

Aspects	KPI	KPI description	Section
B3: Development and training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	TRAINING AND DEVELOPMENT
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	TRAINING AND DEVELOPMENT
	B3.2	The average training hours completed per employee by gender and employee category.	TRAINING AND DEVELOPMENT
B4: Labour code	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	SAFEGUARDING EMPLOYEE'S RIGHTS
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	SAFEGUARDING EMPLOYEE'S RIGHTS
	B4.2	Description of steps taken to eliminate such practices when discovered.	SAFEGUARDING EMPLOYEE'S RIGHTS
B5: Supply chain management	General disclosure	Policies on managing environmental and social risks of the supply chain.	QUALITY AND STRICTLY SELECTED SUPPLIERS
	B5.1	Number of suppliers by geographical region.	QUALITY AND STRICTLY SELECTED SUPPLIERS
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	QUALITY AND STRICTLY SELECTED SUPPLIERS
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	QUALITY AND STRICTLY SELECTED SUPPLIERS
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	QUALITY AND STRICTLY SELECTED SUPPLIERS

Aspects	KPI	KPI description	Section
B6: Product responsibility	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	OPERATION MANAGEMENT
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	PROJECT AND SERVICE QUALITY
	B6.2	Number of products and service related complaints received and how they are dealt with.	PROJECT AND SERVICE QUALITY
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	RESPECT FOR INTELLECTUAL PROPERTY
	B6.4	Description of quality assurance process and recall procedures.	PROJECT AND SERVICE QUALITY
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	INFORMATION SECURITY AND PRIVACY PROTECTION

Aspects	KPI	KPI description	Section
B7: Anti-corruption	General disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	ANTI-CORRUPTION, EXTORTION, FRAUD AND MONEY LAUNDERING
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	ANTI-CORRUPTION, EXTORTION, FRAUD AND MONEY LAUNDERING
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	ANTI-CORRUPTION, EXTORTION, FRAUD AND MONEY LAUNDERING
	B7.3	Description of anti-corruption training provided to directors and staff.	ANTI-CORRUPTION, EXTORTION, FRAUD AND MONEY LAUNDERING
Community			
B8: Community investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	BUILDING A SOCIETY WITH RESPONSIBILITY
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	BUILDING A SOCIETY WITH RESPONSIBILITY
	B8.2	Resources contributed (e.g. money or time) to the focus area.	BUILDING A SOCIETY WITH RESPONSIBILITY

INDEPENDENT AUDITOR'S REPORT

mazars

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To the members of Be Friends Holding Limited
(Formerly known as Century Sage Scientific Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Be Friends Holding Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 97 to 191, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and of its financial performance and 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the 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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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.

KEY AUDIT MATTERS *(continued)*

Key audit matters identified in our audit are summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables	
Refer to notes 3.1(b), 4.1(a) and 17 to the consolidated financial statements	
As at 31 December 2023, the Group's trade receivables amounted to approximately RMB228,589,000, net of credit loss provision for impairment of trade receivables of approximately RMB57,028,000, which accounted for 30% of the Group's total assets. Loss allowances for trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. We identified assessing the impairment of trade receivables as a key audit matter because the amount is significant and the assessment of the impairment of trade receivables and recognition of loss allowance are inherently subject to significant judgement, which increases the risk of error or potential management bias.	Our procedures, among others, included: — Understanding and evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses; — Assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing category by comparing individual items in the report with the relevant sales invoices and completion dates of relevant projects; — Assessing and challenging the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements; and — Inspecting subsequent cash receipts from customers relating to those balances as at 31 December 2023, on a sample basis.

Key Audit Matter	How our audit addressed the Key Audit Matter

Provision for inventories

Refer to notes 4.1(d) and 18 to the consolidated financial statements

As at 31 December 2023, the carrying amount of inventories amounted to approximately RMB66,794,000, net of provision for inventories of approximately RMB27,126,000, which accounted for 9% of the Group's total assets.

When the cost of inventories was higher than their net realisable value, the Group made the provision for inventories based on the difference between the cost and the net realisable value.

The calculation of net realisable value involved significant accounting estimation, including estimations on expected sales volume, sales price and related costs to sell.

We have identified the above matter as a key audit matter because of its significance to the consolidated financial statements and the calculation of net realisable value involved significant management judgements and estimations.

Our procedures, among others, included:

— Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to the identification of slow moving and obsolete inventories, monitoring inventory ageing and making relevant inventory provisions;

— Evaluating and challenging the Group's inventory write-down and provision policy with reference to the requirements of the prevailing accounting standards;

— Assessing whether the inventory write-downs and provisions made were consistent with the Group's inventory write-down and provision policy by recalculating the inventory write-downs and provisions based on the relevant parameters in the Group's policy;

— Assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing category by comparing individual items in the report with underlying documentation, which included purchase invoices, goods receipt notes and production records; and

— Assessing, on a sample basis, whether inventories were stated at the lower of cost and net realisable value with reference to selling volume and prices achieved and related costs to sell after year end.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill	
Refer to notes 2.3, 4.1(c) and 14 to the consolidated financial statements	
As at 31 December 2023, the carrying amount of goodwill amounted to RMB80,112,000, which accounted for 11% of the Group's total assets. For the purpose of assessing impairment, the goodwill is allocated to relevant cash-generating units ("CGUs"), and the recoverable amount of CGU is determined by management based on value-in-use ("VIU") calculations using cash flow projections. The impairment assessments involved significant management judgements about future results of the business. We have identified the above matter as a key audit matter because of its significance to the consolidated financial statements and the impairment assessments involved significant management judgements and estimations.	Our procedures, among others, included: — Assessing the competence, capabilities, objectivity and results of the work of independent professional valuer that was appointed by the management and assisted management to determine the recoverable amounts of the relevant CGU; — Evaluating and challenging the appropriateness of the model used by the management to calculate the VIU of the relevant CGU; — Evaluating and challenging the composition of the Group's future cash flow forecasts in the relevant CGU, and the process by which they were drawn up, including testing the underlying calculations; — Evaluating the determination of the recoverable amount of relevant CGU; — Evaluating and challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and — Evaluating and challenging the adequacy of sensitivity analysis.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2023 annual report but does not include 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 THOSE CHARGED WITH GOVERNANCE 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 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.

Those charged with governance are 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. This report is made 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 the consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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 those charged with governance 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We also provide those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 26 March 2024

The engagement director on the audit resulting in this independent auditor's report is:

So Chun Wai
Practising Certificate number: P07513

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	6	**1,074,335**	425,606
Cost of sales	7	**(507,425)**	(227,358)
Gross profit		**566,910**	198,248
Other gains (losses), net	6	**8,875**	(3,813)
Selling expenses	7	**(261,678)**	(70,860)
Administrative expenses	7	**(173,646)**	(107,847)
Loss allowance on trade receivables	3.1(b)(ii)	**(6,833)**	(92)
Reversal of loss allowance (Loss allowance) on other receivables	3.1(b)(ii)	**1,800**	(1,800)
Change in fair value of contingent consideration receivable	17(iii)	**17,325**	–
Write-down of inventories	18	**(6,972)**	(8,452)
Operating profit		**145,781**	5,384
Finance costs, net	9	**(13,336)**	(11,590)
Share of results of an associate	12	**7,074**	150
Profit (Loss) before income tax		**139,519**	(6,056)
Income tax expense	10	**(25,548)**	(10,335)
Profit (Loss) for the year		**113,971**	(16,391)
Profit (Loss) attributable to:			
Owners of the Company		**119,462**	(9,207)
Non-controlling interests	36	**(5,491)**	(7,184)
		113,971	(16,391)
		RMB cents	RMB cents
Basic earnings (loss) per share	11	**9.05**	(0.80)
Diluted earnings (loss) per share	11	**8.65**	(0.80)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Profit (Loss) for the year	**113,971**	(16,391)
Other comprehensive income (loss)		
Item that may be reclassified subsequently to profit or loss:		
Currency translation differences	**1,043**	(3,351)
Item that may not be reclassified subsequently to profit or loss:		
Currency translation differences	**–**	(2)
Total other comprehensive income (loss) for the year	**1,043**	(3,353)
Total comprehensive income (loss) for the year	**115,014**	(19,744)
Total comprehensive income (loss) attributable to:		
Owners of the Company	**120,505**	(12,560)
Non-controlling interests	**(5,491)**	(7,184)
	115,014	(19,744)

The notes on pages 104 to 191 are integral parts of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	**35,055**	30,811
Goodwill	14	**80,112**	–
Intangible assets	15	**12,110**	5,598
Right-of-use assets	16	**29,310**	16,302
Trade and other receivables	17	**10,260**	9,659
Interest in an associate	12	**38,682**	31,608
Deferred income tax assets	28	**11,776**	–
Long-term bank deposits	21(a)	**10,000**	–
Total non-current assets		**227,305**	93,978
Current assets			
Inventories	18	**66,794**	64,361
Other current assets	19	**38,901**	19,605
Trade and other receivables	17	**271,567**	217,142
Pledged bank deposits	20	**484**	892
Bank balances and cash	21(b)	**149,536**	50,928
Total current assets		**527,282**	352,928
Total assets		**754,587**	446,906
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	23	**11,363**	10,667
Share premium	25(e)	**330,273**	330,273
Other reserves	25	**44,081**	(47,479)
Accumulated losses		**(88,204)**	(200,166)
		297,513	93,295
Non-controlling interests	36	**4,197**	9,688
Total equity		**301,710**	102,983

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Liabilities			
Non-current liabilities			
Bank and other borrowings	26	**35,644**	17,859
Deferred income tax liabilities	28	**2,753**	–
Lease liabilities	16	**6,295**	7,908
Total non-current liabilities		**44,692**	25,767
Current liabilities			
Contract liabilities	22	**32,908**	14,670
Trade and other payables	27	**223,713**	169,168
Current income tax liabilities		**33,048**	17,356
Bank and other borrowings	26	**98,244**	108,965
Lease liabilities	16	**20,272**	7,997
Total current liabilities		**408,185**	318,156
Total liabilities		**452,877**	343,923
Total equity and liabilities		**754,587**	446,906

The notes on pages 104 to 191 are integral parts of the consolidated financial statements.

The consolidated financial statements on pages 97 to 191 were approved and authorised for issue by the Board of Directors on 26 March 2024 and signed on its behalf by

Li Jun
Chairman

Lo Chi Sum
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

		Attributable to owners of the Company						
	Notes	Share capital RMB'000	Share premium RMB'000 (note 25(e))	Other reserves RMB'000 (note 25)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance as at 1 January 2022		8,694	281,110	(35,869)	(188,135)	65,800	22,594	88,394
Loss for the year		–	–	–	(9,207)	(9,207)	(7,184)	(16,391)
Other comprehensive loss:								
Items that may be reclassified subsequently to profit or loss:								
Currency translation differences		–	–	(3,351)	–	(3,351)	–	(3,351)
Items that may not be reclassified subsequently to profit or loss:								
Currency translation differences		–	–	(2)	–	(2)	–	(2)
Total other comprehensive loss		–	–	(3,353)	–	(3,353)	–	(3,353)
Total comprehensive loss		–	–	(3,353)	(9,207)	(12,560)	(7,184)	(19,744)
Transfer		–	–	2,824	(2,824)	–	–	–
Transactions with owners								
Contributions and distributions								
Disposal of a subsidiary		–	–	–	–	–	(5,722)	(5,722)
Employee share award — value of employee services		–	–	23,422	–	23,422	–	23,422
Issuance of new shares for the Share Award Plan		139	–	(139)	–	–	–	–
Conversion of convertible bonds		1,834	49,163	(34,364)	–	16,633	–	16,633
Total transactions with owners		1,973	49,163	(11,081)	–	40,055	(5,722)	34,333
Balance as at 31 December 2022		10,667	330,273	(47,479)	(200,166)	93,295	9,688	102,983

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Notes	Attributable to owners of the Company						
		Share capital	Share premium	Other reserves	Accumulated losses	Total	Non-controlling interests	Total
		RMB'000	RMB'000 (note 25(e))	RMB'000 (note 25)	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2023		10,667	330,273	(47,479)	(200,166)	93,295	9,688	102,983
Profit (Loss) for the year		–	–	–	119,462	119,462	(5,491)	113,971
Other comprehensive income:								
Items that may be reclassified subsequently to profit or loss:								
Currency translation differences		–	–	1,043	–	1,043	–	1,043
Total other comprehensive income		–	–	1,043	–	1,043	–	1,043
Total comprehensive income (loss)		–	–	1,043	119,462	120,505	(5,491)	115,014
Transfer		–	–	7,500	(7,500)	–	–	–
Transactions with owners								
Contributions and distributions								
Employee share award — value of employee services	24	–	–	83,713	–	83,713	–	83,713
Issuance of new shares for the Share Award Plan	23	696	–	(696)	–	–	–	–
Total transactions with owners		696	–	83,017	–	83,713	–	83,713
Balance as at 31 December 2023		11,363	330,273	44,081	(88,204)	297,513	4,197	301,710

The notes on pages 104 to 191 are integral parts of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	32(a)	210,675	4,263
Interest received		1,133	230
Interest paid		(7,189)	(5,977)
Income tax paid		(21,632)	(600)
Net cash from (used in) operating activities		182,987	(2,084)
INVESTING ACTIVITIES			
Purchase of intangible assets		(3,127)	(2,361)
Purchases of property, plant and equipment		(12,722)	(4,815)
Decrease (Increase) in pledged deposits		408	(91)
Proceeds from disposal of financial assets at FVPL		–	38,863
Increase in bank deposits with original maturity of more than three months		(10,000)	–
Net cash outflow arising from business combination	30	(49,029)	–
Net cash inflow arising from disposal of a subsidiary		–	744
Net cash (used in) from investing activities		(74,470)	32,340
FINANCING ACTIVITIES			
Proceeds from bank and other borrowings	32(b)	63,081	48,640
Repayments of bank and other borrowings	32(b)	(55,328)	(79,359)
Interest of lease liabilities		(1,013)	(238)
Repayment of lease liabilities	32(b)	(17,018)	(3,877)
Net cash used in financing activities		(10,278)	(34,834)
Net increase (decrease) in cash and cash equivalents		98,239	(4,578)
Cash and cash equivalents at beginning of year		50,928	54,556
Effect of foreign exchange rate changes		369	950
Cash and cash equivalents at end of the year	21(b)	149,536	50,928

The notes on pages 104 to 191 are integral parts of the consolidated financial statements.

1. GENERAL INFORMATION

Be Friends Holding Limited (the "Company") was incorporated in the Cayman Islands on 18 December 2012 as an exempted company with limited liability under the Companies Act (Cap. 22, as consolidated and revised) of the Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to the special resolution passed at the extraordinary general meeting on 19 June 2023, the English name of the Company was changed from "Century Sage Scientific Holdings Limited" to "Be Friends Holding Limited" and adopted "交個朋友控股有限公司" as the dual foreign name in Chinese of the Company in place of "世紀睿科控股有限公司" with effect from 20 June 2023. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 4 July 2023 confirming the registration of the new English and Chinese name of the Company in Hong Kong under Part 16 of the Companies Ordinance.

Starlink Vibrant Holdings Ltd., a company incorporated in the British Virgin Islands (the "BVI") and wholly owned by the chairman of the Company, Mr. Li Jun ("Mr. Li"), holds 23.25% of the Company's shares issued as at 31 December 2023.

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in the provision of (i) new media services; (ii) application solutions; (iii) sales of self-developed products; and (iv) system maintenance services, for the all-media industry in the People's Republic of China (the "PRC"). The Group has operations mainly in the PRC.

These consolidated financial statements are presented in Renminbi ("RMB") and rounded to the nearest thousands ("000"), unless otherwise stated.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and disclosure requirements of the Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The preparation of consolidated financial statements in conformity with HKFRSs 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 statements are disclosed in note 4.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for contingent consideration receivable, which are measured at fair value as explained in the accounting policies set out below.

(c) New and amended standards adopted by the Group

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year:

Amendments to HKAS 1	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

Amendments to HKAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed the disclosure of accounting policy information and considered it is consistent with the amendments.

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: International Tax Reform — Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(d) New standards and interpretations not yet adopted

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [1]
Amendments to HKAS 1	Non-current Liabilities with Covenants [1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements [1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback [1]
Amendments to HKAS 21	Lack of Exchangeability [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] The effective date to be determined

The Group is in the process of making a detailed assessment of the possible impact on the future adoption of the new/revised HKFRSs. So far the management is of the opinion that the adoption of the new/revised HKFRSs will not have any significant impact on the consolidated financial statements.

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised 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 policies adopted by the Group.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(i) Subsidiaries *(continued)*

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate. Such goodwill is included in interests in associates. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in the consolidated statement of profit or loss as an income.

The Group determines at each reporting date whether there is any objective evidence that the interests in associates are impaired. If this is the case, the Group calculates the amount of impairment as the excess of the carrying value of the associate over its recoverable amount. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

(iii) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as equity transactions. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in the consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs. If the ownership interest in an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss where appropriate.

(v) Allocation of total comprehensive income

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

(vi) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.3 Business combinations

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 recognises any non-controlling interests in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' 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 interests 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 recognised directly in the consolidated statement of 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 re-measured to fair value with changes in fair value recognised in the consolidated statement of 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 re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in the consolidated statement of profit or loss.

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.3 Business combinations *(continued)*

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value-in-use ("VIU") and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.4 Separate financial statements

Investments in subsidiaries are accounted by the Company at cost less impairment. Cost also includes direct attributable costs of investment. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.5 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-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

2.6 Foreign currency translation

(i) 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.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within "Finance cost, net". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other gains (losses), net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency translation *(continued)*

(iii) Group companies

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

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(2) income and expenses for each statement of profit or loss 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

(3) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the consolidated statement of profit or loss, as part of the gain or loss on sale.

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 recognised in other comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.7 Property, plant and equipment *(continued)*

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings	20–40 years
Vehicles and machinery	3–5 years
Furniture, fixtures and equipment	3–5 years

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

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the period in which the item is derecognised.

2.8 Intangible assets

(i) Cooperation agreement

Cooperation agreements acquired in a business combination is recognised at fair value at the acquisition date and are amortised using the straight-line method over their estimated useful lives of 28 months.

(ii) Media accounts

Media accounts acquired in a business combination is recognised at fair value at the acquisition date and amortised using the straight-line method over their estimated useful lives of 5 years.

(iii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets *(continued)*

(iv) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) or expenditures incurred in the development related to the application and infrastructure development are recognised as intangible assets when the following criteria are met:

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

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

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

(v) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Computer software	5 years
Cooperation agreement	28 months
Media accounts	5 years
Development costs	5 years

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.9 Impairment of non-financial assets

Goodwill that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 VIU. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

(i) 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 ("OCI") or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group'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 the consolidated statement of profit or loss or OCI.

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 ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire; or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

(iii) Measurement

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

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets *(continued)*

(iii) Measurement *(continued)*

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised 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 amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses are included in administrative expenses in the consolidated statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss is recognised in the consolidated statement of profit or loss and presented net within other gains (losses) in the period in which it arises.

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 OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated statement of profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains (losses) in the consolidated statement of profit or loss as applicable.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets *(continued)*

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. 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 which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(b) for further details.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of the inventories for specific application solutions project is determined individually. Cost of other inventories is determined using the weighted average method. The cost comprises acquisition cost purchased from third parties includes purchase price, related taxes, labour costs, transportation cost and insurance cost but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for goods sold and services performed in the ordinary course of business. If collection of trade and other 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.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts (if any).

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets is substantially ready for their intended use or sale.

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

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries 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.

(ii) Deferred income tax

Deferred income tax is provided in full, 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 income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.17 Current and deferred income tax *(continued)*

(ii) Deferred income tax *(continued)*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and income tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.18 Employee benefits

(i) Retirement benefits

The Group provides defined contribution retirement plans based on local laws and regulations. The plans cover full-time employees and provide for contributions at certain percentage of salary as determined by the respective local government authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due.

(ii) Employee leaves entitlements

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

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

2.19 Share-based payments

Share-based compensation benefits are provided to employees via the share award plan. Information relating to these schemes is set out in note 24.

Share Award Plan

The share award plan is administered by the trustee of the share award plan. The fair value of shares granted under the plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by the market value of the shares on grant date.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

When exercised, the trust transfers the appropriate amount of shares to the employee for no cash consideration. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

When the granted shares are forfeited before the vesting date, the amount previously recognised in share award reserve will be transferred to accumulated losses.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.21 Revenue recognition

Revenue comprises the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after elimination of sales made within the Group.

The Group recognises revenue when control of the products has transferred, and when specific criteria have been met for each of the Group's activities as described below. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides the benefits received and consumed simultaneously by the customer; or

- creates and enhances an asset that the customer controls as the Group performs; or

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

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition *(continued)*

The Group's revenue mainly includes new media services, application solutions, sales of self-developed products and system maintenance services.

(i) New media services

The Group mainly offers livestream e-commerce on the e-commerce platforms, the related revenue comprises fixed marketing fees and sales commission.

(a) Online marketing services

The Group provides marketing services to the merchants for the livestream e-commerce on the e-commence platforms, the revenue from online marketing services is recognised at point in time upon the completion of live-streaming e-commerce activities.

(b) Commission revenue

The Group provides promotion services to the merchants on the e-commence platforms and charges commissions on the sales of goods transacted through the e-commence platform based on agreed commission rates. The Group does not take controls of goods sold through the e-commence platforms. Commission revenue is recognised at a point in time upon the customers purchase merchants' products through the e-commence platforms.

(ii) Application solutions

The Group provides application solutions including design, implementation and support services and provides broadcasting equipment under fixed-price contract. The components of application solutions are highly interdependent and regarded as one performance obligation.

Revenue for the application solutions is recognised at a point in time when the equipment is delivered, the installation is completed and accepted by the customers.

(iii) Sales of self-developed products

The Group sells self-developed equipment and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(iv) System maintenance services

System maintenance services include maintenance, extended warranty, training and other supporting services are provided in the form of fixed-price contracts. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

2.22 Interest income

Interest income is recognised using the effective interest method.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.23 Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.23 Leases *(continued)*

As lessee *(continued)*

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is re-measured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is re-measured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group re-measures the lease liability using a revised discount rate.

The Group recognises the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in the consolidated statement of profit or loss.

A lease modification is accounted for as a separate lease if

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.23 Leases *(continued)*

As lessee *(continued)*

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group re-measures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the re-measurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in the consolidated statement of profit or loss.

(e) for all other lease modifications, the Group accounts for the re-measurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

2.24 Dividend distribution

Dividend distribution to the Company's ordinary shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or board of directors, where appropriate.

2.25 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.

2.26 Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the business of application solutions, it is common for the Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e., the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.27 Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the holding company of the Group.

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

(i) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

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

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

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar ("USD"), Japanese Yen ("JPY") and HKD. Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are not denominated in RMB.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to control the exposure of the foreign currency during the business operation. The foreign currency exposure is mainly due to the borrowings denominated in JPY and the management control the payment schedule to reduce the foreign exchange risk.

As at 31 December 2023, if USD, JPY and HKD had weakened/strengthened by 3% (2022: 9%) against the RMB with all other variables held constant, profit before income tax (2022: loss before income tax) for the year and other comprehensive income (2022: other comprehensive losses) would have changed mainly as a result of foreign exchange gains/losses on translation of USD/JPY/HKD bank balances and cash, trade and other receivables, trade and other payables, bank and other borrowings denominated in USD, JPY and HKD.

	2023 RMB'000	2022 RMB'000
(Decrease) Increase in profit (2022: increase (decrease) in loss) before income tax for the year		
Weakened 3% (2022: 9%)		
— USD	**(13)**	119
— JPY	**483**	(1,451)
— HKD	**(134)**	616
Strengthened 3% (2022: 9%)		
— USD	**13**	(119)
— JPY	**(483)**	1,451
— HKD	**134**	(616)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

	2023 RMB'000	2022 RMB'000
(Decrease) Increase in other comprehensive income (2022: increase (decrease) in other comprehensive loss) for the year		
Weakened 3% (2022: 9%)		
— HKD	**(30)**	18
Strengthened 3% (2022: 9%)		
— HKD	**30**	(18)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next annual reporting period.

(ii) Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from bank and other borrowings with variable interest rates. Borrowings at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank balances with variable rates. The Group has not hedged its cash flow interest rate risks.

As at 31 December 2023, if the interest rate on all bank and other borrowings had been 1% (2022: 1%) higher/lower with all other variables held constant, the Group's profit before income tax (2022: loss before income tax) for the year would have been decreased/increased (2022: increased/decreased) by approximately RMB133,000 (2022: RMB306,000).

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

Credit risk arises mainly from trade and other receivables and cash at bank. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are the state-owned banks in the PRC or licensed banks in Hong Kong.

As at 31 December 2023, the largest and the five largest debtors contributed over 35% (2022: 16%) and 53% (2022: 42%) of the Group's total trade and other receivables respectively.

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period, without taking into account any collateral held or other credit enhancements. A summary of the maximum exposure to credit risk is as follows:

	2023 **RMB'000**	2022 RMB'000
Trade receivables, net	**228,589**	153,494
Other receivables excluding prepayments	**53,238**	73,307
Long-term bank deposits	**10,000**	–
Bank balances and cash	**149,536**	50,928
Pledged bank deposits	**484**	892
	441,847	278,621

(i) Risk management

Credit risk is managed on a group basis. The Group has policies to limit the credit exposure on trade receivables. The Group assesses the credit quality of and sets credit limits on their customers by taking into account their financial position, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders to ensure the overall credit risk of the Group is limited to a controllable extent.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking macroeconomic data.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets

Trade receivables and other receivables (other than the contingent consideration receivable) are subject to the ECL model. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group applies the HKFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables. For other receivables, the Group involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes.

The expected loss rates are based on the payment profiles of sales over a period of 48 months for television broadcasting business or 24 months for new media services at the end of the reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the region, relationship and credit of client which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a receivable for write off when a debtor fails to make contractual payments/repayable. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the consolidated statement of profit or loss.

To measure the ECLs, trade receivables has been grouped based on shared credit risk characteristics and the days past due.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables

31 December 2023	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Non-credit impaired			
Less than 1 year past due	0.67%	188,380	1,256
More than 1 year but less than 2 years past due	7.06%	20,937	1,478
More than 2 years but less than 3 years past due	23.61%	13,552	3,200
More than 3 years but less than 4 years past due	33.42%	11,572	3,867
More than 4 years past due	90.12%	39,969	36,020
		274,410	45,821
Credit-impaired			
More than 3 years but less than 4 years past due	100.00%	802	802
More than 4 years past due	100.00%	10,405	10,405
		11,207	11,207
		285,617	57,028

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables *(continued)*

31 December 2022	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Non-credit impaired			
Less than 1 year past due	1.12%	110,458	1,234
More than 1 year but less than 2 years past due	9.03%	27,577	2,491
More than 2 years but less than 3 years past due	26.40%	13,976	3,690
More than 3 years but less than 4 years past due	36.79%	6,774	2,492
More than 4 years past due	86.30%	33,697	29,081
		192,482	38,988
Credit-impaired			
More than 2 years but less than 3 years past due	100.00%	802	802
More than 3 years but less than 4 years past due	100.00%	2,177	2,177
More than 4 years past due	100.00%	8,228	8,228
		11,207	11,207
		203,689	50,195

A customer was involved in litigation and the management assessed that the customer was credit-impaired and collectability of balance of RMB11,207,000 was remote. Therefore, a full provision on such balance was made during the year ended 31 December 2021 and there was no change in provision on this balance was made during the years 31 December 2023 and 2022.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables *(continued)*

The movements in loss allowances are summarised as follows:

	2023 RMB'000	2022 RMB'000
As at 1 January	50,195	57,101
Disposal of a subsidiary	–	(6,998)
Increase in loss allowance recognised in the consolidated statement of profit or loss	6,833	92
As at 31 December	57,028	50,195

Other receivables

The gross carrying amount of the financial assets, by credit risk rating grades, is as follows:

Internal credit rating	Expected loss rate %	ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
As at 31 December 2023					
Performing	0	12-months	53,238	–	53,238
Not performing (credit-impaired)	100	Lifetime	16,934	(16,934)	–
			70,172	(16,934)	53,238
As at 31 December 2022					
Performing	0	12-month	73,307	–	73,307
Underperforming (non credit-impaired)	100	Lifetime	1,800	(1,800)	–
Not performing (credit-impaired)	100	Lifetime	16,934	(16,934)	–
			92,041	(18,734)	73,307

As at 31 December 2023, the Group recognised loss allowance of RMB16,934,000 (2022: RMB18,734,000) on the balances.

The movement in the loss allowance, which is measured at lifetime ECL, for the other receivables during the year is summarised below.

	2023 RMB'000	2022 RMB'000
As at 1 January	18,734	16,934
(Decrease) Increase in loss allowance recognised in the consolidated statement of profit or loss	(1,800)	1,800
As at 31 December	16,934	18,734

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at each of the reporting dates during the period of Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year-end dates during the year) and the earliest date the Group may be required to pay.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total contractual undiscounted cash flows total RMB'000	Total carrying amounts RMB'000
As at 31 December 2023					
Trade and other payables (excluding non-financial liabilities)	161,566	–	–	161,566	161,566
Lease liabilities (including interest)	21,078	6,403	–	27,481	26,567
Bank and other borrowings (including interest)	102,783	21,288	16,831	140,902	133,888
	285,427	27,691	16,831	329,949	322,021

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total contractual undiscounted cash flows total RMB'000	Total carrying amounts RMB'000
As at 31 December 2022					
Trade and other payables (excluding non-financial liabilities)	112,888	–	–	112,888	112,888
Lease liabilities (including interest)	8,526	8,104	–	16,630	15,905
Bank and other borrowings (including interest)	118,928	287	18,037	137,252	126,824
	240,342	8,391	18,037	266,770	255,617

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity.

	2023 **RMB'000**	2022 RMB'000
Bank and other borrowings	**133,888**	126,824
Lease liabilities	**26,567**	15,905
Total debts	**160,455**	142,729
Less: Long-term bank deposits	**(10,000)**	–
Less: Pledged bank deposits	**(484)**	(892)
Less: Bank balances and cash	**(149,536)**	(50,928)
Net debts	**435**	90,909
Total equity	**301,710**	102,983
Gearing ratio	**0.1%**	88.3%

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under HKFRS 13 "*Fair Value Measurement*".

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
As at 31 December 2023			
Contingent consideration receivable	–	–	**17,325**
As at 31 December 2022			
Contingent consideration receivable	–	–	–

There were no transfers between Level 1, 2 and 3 during the year (2022: Nil).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(b) Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in Level 3 instruments:

	Contingent consideration receivable RMB'000
As at 31 December 2023	
At beginning of the reporting period	–
Fair value changes	17,325
At end of the reporting period	17,325
As at 31 December 2022	
At beginning of the reporting period and at end of the reporting period	–

The above fair value changes are reported in "Change in fair value of contingent consideration receivable" in the consolidated statement of profit or loss.

Description of the valuation techniques and inputs used in Level 3 fair value measurement

The Group recognises the fair value of contingent consideration receivable at the end of each reporting period and fair value is based on profits for aggregate performance of the disposed subsidiary.

(c) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2023 and 2022.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates 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.

(a) Impairment of trade and other receivables

The impairment provisions for trade receivables are based on assumptions about the 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. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss.

Management also reviews its trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables.

Details of the key assumption and inputs used in estimating ECL are set out in note 3.1(b) to the consolidated financial statements. If the ECL rates on the trade receivables more than 1 year past due had been 3% (2022: 5%) higher (lower) at the end of the reporting period, with other assumptions held constant, the loss allowance would have been RMB2,581,000 (2022: RMB4,101,000) higher (lower).

(b) Recognition of income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(c) Impairment of property, plant and equipment, right-of-use assets, intangible assets and goodwill

The management determines the impairment loss on property, plant and equipment, right-of-use assets and intangible assets if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amounts reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs of disposal and the VIU. In determining the VIU, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.3. The recoverable amounts of CGUs have been determined based on VIU calculations. These calculations require the use of estimates.

(d) Provision for inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also be not recoverable if the estimated costs to be incurred to make the sale have increased. The amount written off to the consolidated statement of profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recoverable, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

(e) Impairment of interest in an associate

When there is an indication that interest in an associate may suffer an impairment loss, management assesses the recoverable amounts of an associate, taking into account its current financial performance and position, and the cash flows of an associate, which require significant judgement.

(f) Discount rates for calculating lease liabilities — as lessee

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(g) Share-based payments

As disclosed in note 24 to the consolidated financial statements, the Group granted share award to certain selected participants. Significant estimate on assumptions in determining the fair value of the share-based payments upon satisfying specified vesting conditions has been applied.

4.2 Judgement

(a) Control over Beijing Gefei Technology Co., Limited ("Beijing Gefei")

The Group holds 49% equity interests in Beijing Gefei through Cogent (Beijing) Technology Company Limited ("Cogent (Beijing)"), a wholly owned subsidiary of the Company. On 31 August 2020, Cogent (Beijing) and one of the other investors of Beijing Gefei, namely Beijing Yutai Investment Co., Limited ("Yutai"), a company incorporated in the PRC which holds 2% equity interests in Beijing Gefei, entered into an agreement (the "Voting Rights Arrangement") pursuant to which Yutai agreed to irrevocably appoint Cogent (Beijing) to exercise all of Yutai's rights to vote at the shareholders general meetings of Beijing Gefei at nil consideration. The Voting Rights Arrangement will be terminated upon mutual agreement in writing between the Group and Yutai is made. The Voting Rights Arrangement remained effective during the year ended 31 December 2023.

The relevant activities which significantly affect Beijing Gefei's return are determined by shareholders based on a simple majority vote during shareholders' meeting. As the Group's voting rights in Beijing Gefei's shareholders' meeting exceed 50% followed by execution of the Voting Rights Arrangement, the directors of the Company have concluded that the Group has control over Beijing Gefei since 31 August 2020.

(b) Identification of performance obligations

For application solution services, the Group assesses the nature of the goods or services provided and determines that the sales of equipment and the relevant services are regarded as one performance obligation after considering the factors of significant integration, significant modification or customisation, and highly interdependence or interrelation.

5. SEGMENT INFORMATION

The chief operating decision-maker ("CODM") mainly include the board of directors of the Company, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the CODM considers the business from both business and geographical perspective.

Prior to 1 July 2023, there were four reportable and operating segments, namely (i) New media services; (ii) Application solutions; (iii) System maintenance services; and (iv) Sales of self-developed products.

From 1 July 2023, management has changed the presentation of the information reported to the CODM, and segment reporting is updated to conform to this change. The Group's management is of the view that this change of segment disclosure better reflects the Group's updated business strategies, the development phases of various businesses and the financial performance, and better aligns with the Group's resource allocation.

The updated reportable segments comprise (i) New media services; and (ii) Television broadcasting business, which is aggregated by the former Application solutions, System maintenance services and Sales of self-developed products segments. The Group's management periodically reviews their developments, and dynamically adjust resource allocation and strategies.

The CODM assesses the performance of the operating segments mainly based on profit (loss) for the year from each segment. Certain unallocated items are not allocated to each segment as they are not directly relevant to the operating results upon performance measurement and resource allocation by the CODM.

Consequently, the comparative segment information for the year ended 31 December 2022 has been represented in order to conform with the presentation adopted in current year. The changes in the segment information do not have any impact on the Group's consolidated financial statements.

There was no material inter-segment revenue during the years ended 31 December 2023 and 2022.

5. SEGMENT INFORMATION *(continued)*

The segment information provided to the CODM for the reportable segments during the year is as follows:

For the year ended 31 December 2023

	New media services RMB'000	Television broadcasting business RMB'000	Unallocated RMB'000	Total RMB'000
Reportable segment revenue (from external customers)	988,732	85,603	–	1,074,335
Reportable segment profit (loss)	113,718	5,999	(5,746)	113,971
Other information				
Segment assets	446,827	306,781	979	754,587
Segment liabilities	167,500	282,977	2,400	452,877
Additions to non-current segment assets during the year				
— Additions to property, plant and equipment	12,204	518	–	12,722
— Additions to intangible assets	3,127	–	–	3,127
— Additions to right-of-use assets	27,393	2,293	–	29,686
— Additions — Acquisition of subsidiaries	91,122	–	–	91,122
Amounts included in reportable segment profit (loss):				
Loss allowance on trade receivables	–	(6,833)	–	(6,833)
Reversal of loss allowance on other receivables	–	1,800	–	1,800
Share of results of an associate	–	7,074	–	7,074
Share-based payment in respect of share awards	(83,713)	–	–	(83,713)
Depreciation of property, plant and equipment	(5,034)	(3,220)	–	(8,254)
Depreciation of right-of-use assets	(13,258)	(1,399)	–	(14,657)
Amortisation of intangible assets	(5,898)	(1,727)	–	(7,625)
Write-down of inventories	–	(6,972)	–	(6,972)
Change in fair value of contingent consideration receivable	–	17,325	–	17,325
Lease payment on short-term lease	(238)	(1,858)	–	(2,096)
Finance costs (excluding net foreign exchange loss)	(1,058)	(13,189)	–	(14,247)
Interest income on long-term bank deposits	160	–	–	160
Interest income on short-term bank deposits	691	282	–	973
Loss on disposal of property, plant and equipment	(224)	–	–	(224)

5. SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2022 (Represented)

	New media services RMB'000	Television broadcasting business RMB'000	Unallocated RMB'000	Total RMB'000
Reportable segment revenue (from external customers)	302,511	123,095	–	425,606
Reportable segment profit (loss)	29,999	(26,605)	(19,785)	(16,391)
Other information				
Segment assets	181,553	265,139	214	446,906
Segment liabilities	91,626	250,493	1,804	343,923
Additions to non-current segment assets during the year				
— Additions to property, plant and equipment	4,044	771	–	4,815
— Additions to intangible assets	2,308	53	–	2,361
— Additions to right-of-use assets	16,846	426	–	17,272
Amounts included in reportable segment profit (loss):				
Loss allowance on trade receivables	–	(92)	–	(92)
Loss allowance on other receivables	–	(1,800)	–	(1,800)
Share of results of an associate	–	150	–	150
Gain on disposal of a subsidiary	–	5,560	–	5,560
Fair value losses on financial assets at FVPL	–	–	(12,139)	(12,139)
Share-based payment in respect of share awards	(23,422)	–	–	(23,422)
Depreciation of property, plant and equipment	(3,431)	(519)	–	(3,950)
Depreciation of right-of-use assets	(2,150)	(2,108)	–	(4,258)
Amortisation of intangible assets	(1,196)	(2,002)	–	(3,198)
Amortisation of deferred day-one loss	–	–	(6,546)	(6,546)
Write-down of inventories	–	(8,452)	–	(8,452)
Leases expenses under short term leases	(228)	(2,051)	–	(2,279)
Finance costs (excluding net foreign exchange gain)	–	(11,878)	(2,536)	(14,414)
Interest income on short-term bank deposits	163	67	–	230

5. SEGMENT INFORMATION *(continued)*

Information about major customers

No revenue from any customer individually accounted for 10% or more of the Group's revenue for the years ended 31 December 2023 and 2022.

The Group's revenue was principally derived from the business carried out in the PRC. The revenue from external customers in the PRC and other countries and districts are disclosed as follows:

	2023 RMB'000	2022 RMB'000
The PRC	**1,071,874**	418,698
Hong Kong	**1,970**	6,908
Others	**491**	–
	1,074,335	425,606

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Total of non-current assets other than deferred income tax assets, trade and other receivables, long-term bank deposits and interest in an associate		
The PRC	**156,319**	52,022
Hong Kong	**268**	689
	156,587	52,711

6. REVENUE AND OTHER GAINS (LOSSES), NET

Revenue represents the net invoiced value of services provided or goods sold, after allowances for returns and trade discounts, during the year.

An analysis of the Group's revenue by type is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15:		
New media services	988,732	302,511
Application solutions	48,028	73,962
Sales of self-developed products	23,078	35,540
System maintenance services	14,497	13,593
	1,074,335	425,606
Timing of revenue recognition		
At a point in time	1,059,838	412,013
Over time	14,497	13,593
	1,074,335	425,606

The revenue from contracts with customers within HKFRS 15 is based on fixed price.

	2023 RMB'000	2022 RMB'000
Other gains		
Gain on disposal of a subsidiary	–	5,560
Government grants	4,000	214
Value added tax refund	5,273	2,527
Others	31	25
Other gains	9,304	8,326
Other losses		
Fair value losses on financial assets at FVPL	–	(12,139)
Loss on disposal of property, plant and equipment	(224)	–
Others	(205)	–
Other losses	(429)	(12,139)
Other gains (losses), net	8,875	(3,813)

7. EXPENSES BY NATURE

	2023 RMB'000	2022 RMB'000
Cost of services	**449,769**	140,046
Employee benefits expenses (note 8)	**352,819**	134,388
Costs of inventories (note 18)*	**50,446**	81,206
Depreciation expenses of right-of-use assets (note 16)	**14,657**	4,258
Travelling and transportation expenses	**11,851**	3,470
Office expenses	**10,505**	5,613
Depreciation expenses of property, plant and equipment (note 13)	**8,254**	3,950
Amortisation expenses of intangible assets (note 15)	**7,625**	3,198
Advertising and promotion	**7,134**	364
Business development	**6,602**	1,695
Others	**5,656**	2,862
Legal fee and professional charges	**4,921**	8,592
Other transaction taxes	**4,482**	2,012
Donation	**3,000**	–
Leases expenses under short term leases (note 16)	**2,096**	2,279
Auditor's remuneration	**1,850**	1,750
Servicing and agency costs	**1,082**	3,836
Amortisation of deferred day-one loss	**–**	6,546
	942,749	406,065

* Cost of inventories includes RMB1,846,000 (2022: RMB1,877,000) relating to employee benefits expenses.

8. EMPLOYEE BENEFITS EXPENSES

	2023 RMB'000	2022 RMB'000
Wages and salaries	**170,988**	76,753
Share based payment expenses (note 24)	**83,713**	23,422
Contributions to defined contribution plans	**44,874**	16,064
Bonus	**33,090**	13,235
Welfare and other allowances	**20,154**	4,914
	352,819	134,388

8. EMPLOYEE BENEFITS EXPENSES *(continued)*

(a) Defined contribution plans

The Group has arranged its Hong Kong employees to join Mandatory Provident Fund ("MPF") Scheme. Under the MPF Scheme, each of the Group's companies (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the MPF Scheme Ordinance. The contributions from each of the employers and employees are subject to a cap of HKD1,500 per month and thereafter contributions are voluntary.

The Group's employees in the PRC are required to participate in a defined contribution retirement scheme administered and operated by local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on fixed percentage of the employees' salaries (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefit of the employees during the year.

No forfeited contributions for the above plans may be used by the employer to reduce the existing level of contributions.

(b) Five highest paid individuals

Of the five highest paid individuals in the Group, four (2022: five) individuals were non-director individual. The emoluments of that director of the Company in 2023 are set out in note 35. The emoluments of the four (2022: five) non-director individuals for 2023, are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries, housing allowances, other allowances and benefits in kind	**3,694**	2,776
Discretionary bonus	**1,766**	479
Contributions to defined contribution plans	**608**	469
Share based payment expenses	**21,402**	18,597
	27,470	22,321

8. EMPLOYEE BENEFITS EXPENSES *(continued)*

(b) Five highest paid individuals *(continued)*

The number of the highest paid individuals (excluding the director of the Company) whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2023	2022
Emolument bands:		
HKD2,000,001–HKD2,500,000	**–**	1
HKD3,000,001–HKD3,500,000	**–**	1
HKD3,500,001–HKD4,000,000	**1**	–
HKD4,000,001–HKD4,500,000	**1**	–
HKD5,000,001–HKD5,500,000	**–**	1
HKD8,000,001–HKD8,500,000	**–**	1
HKD8,500,001–HKD9,000,000	**–**	1
HKD10,500,001–HKD11,000,000	**1**	–
HKD12,000,001–HKD12,500,000	**1**	–
	4	5

No remuneration was paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of these individuals waived any emoluments during the years ended 31 December 2023 and 2022.

9. FINANCE COSTS, NET

	2023 **RMB'000**	2022 RMB'000
Finance income		
— Interest income on long-term bank deposits	**160**	–
— Interest income on short-term bank deposits	**973**	230
	1,133	230
Finance costs		
— Interest expenses on bank and other borrowings	**(12,186)**	(11,092)
— Interest expenses on amount due to a related company/a shareholder	**(534)**	(430)
— Interest expenses on convertible bonds	**–**	(2,298)
— Interest expenses on lease liabilities	**(1,013)**	(238)
— Interest expenses on amounts due to a director	**(514)**	(356)
— Net foreign exchange (loss) gain	**(222)**	2,594
	(14,469)	(11,820)
Finance costs, net	**(13,336)**	(11,590)

10. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
PRC enterprise income tax ("EIT")		
— Current income tax	**42,109**	13,156
— Over-provision in prior years	**(4,785)**	(2,821)
	37,324	10,335
Deferred income tax (note 28)	**(11,776)**	–
Income tax expense	**25,548**	10,335

Reconciliation of income tax expense

	2023 RMB'000	2022 RMB'000
Profit (Loss) before income tax	**139,519**	(6,056)
Tax calculated at applicable tax rates of 25% (2022: 25%)	**34,879**	(1,514)
Tax effects of:		
— Expenses not deductible for tax purpose	**1,457**	5,650
— Effect of preferential/different tax rate	**4,729**	3,747
— Share of results of an associate	**(1,768)**	(38)
— Unrecognised temporary differences	**(4,900)**	1,913
— Utilisation of temporary difference previously not recognised	**(3,288)**	(709)
— Utilisation of unrecognised tax losses	**(4,024)**	–
— Unrecognised tax losses	**3,248**	4,107
— Over-provision in prior years	**(4,785)**	(2,821)
Income tax expense	**25,548**	10,335

Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (Cap. 22, as consolidated and revised) of the Cayman Islands and accordingly, is exempted from the Cayman Islands income tax.

10. INCOME TAX EXPENSE *(continued)*

BVI income tax

Some of the subsidiaries of the Group, incorporated in BVI as exempted companies with limited liability under the Companies Law of BVI, are exempted from BVI income tax.

Hong Kong profits tax

Entities of the Group incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the year ended 31 December 2023 (2022: 16.5%) on the estimated assessable profit for the year. Hong Kong profits tax has not been provided as the Group incurred a loss for taxation purposes during both years.

PRC EIT

Entities of the Group incorporated in the PRC are subject to EIT. According to the EIT law effective from 1 January 2008, all PRC enterprises are subject to a standard EIT rate of 25%, except for enterprises which are allowed to enjoy the preferential policies and provisions as discussed below:

Certain subsidiaries obtained the High and New Technology Enterprise qualification. A reduced tax rate of 15% (2022: 15%) for the period of three years was granted as long as those PRC subsidiaries meet the high-tech enterprise qualification.

Certain subsidiaries of the Group meet the criteria of Micro-enterprise. Pursuant to the Announcement of Ministry of Finance and the State Administration of Taxation No. 13 of 2022* (《財政部稅務總局公告2022年第13號》) and the Announcement of Ministry of Finance and the State Administration of Taxation No. 6 of 2023* (《財政部稅務總局公告2023 年第6號》), Micro-enterprise could enjoy an EIT at 20% on the assessable profits below RMB3,000,000 after reduction of 75% of assessable profits.

PRC withholding tax

In addition, according to the EIT law, dividends, interests, rent, royalties and gains on transfers of property received by a foreign enterprise, i.e., a non-China tax resident enterprise, will be subject to PRC withholding tax at 10% or a reduced treaty rate depending on provisions of tax treaty entered between the PRC and the jurisdiction where the foreign enterprise incorporated. The withholding tax rate is 5% for the holding company in Hong Kong if the parent company is the beneficial owner of the dividend received from the invested enterprises in the PRC and obtained the approval of enjoying the treaty rate from the PRC tax authorities. The withholding tax imposed on the dividend income received from the Group's PRC entities will reduce the Company's net income.

* *For identification only*

11. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share is based on the following data:

		2023 RMB'000	2022 RMB'000
Numerator			
Profit (Loss) attributable to owners of the Company and used in computing basic and diluted earnings (loss) per share		**119,462**	(9,207)
	Notes	'000 shares	'000 shares
Denominator			
Weighted average number of ordinary shares in issue less shares held under the share award scheme during the year for the purpose of calculating basic earnings (loss) per share	(a)	1,320,318	1,151,978
Effect of dilutive potential ordinary shares:			
Unvested share award	(b)	60,562	–
Weighted average number of ordinary shares used in computing diluted earnings (loss) per share		1,380,880	1,151,978

	2023 RMB cents	2022 RMB cents
Basic earnings (loss) per share	**9.05**	(0.80)
Diluted earnings (loss) per share	**8.65**	(0.80)

Notes:

(a) The weighted average number of ordinary shares in issue during the years ended 31 December 2023 and 2022 excluding ordinary shares held for the share award scheme as set out in note 24 to the consolidated financial statements.

(b) The computation of diluted loss per share for the year ended 31 December 2022 did not assume the vesting of the Company's outstanding share awards as that would decrease the loss per share for the year presented.

12. INTEREST IN AN ASSOCIATE

The amount recognised in the consolidated statement of financial position is as follows:

	2023 RMB'000	2022 RMB'000
Cost of investment	**34,410**	34,410
Accumulated impairment loss	**(1,800)**	(1,800)
Share of post-acquisition profit (loss) and other comprehensive income (loss), net of dividends received	**6,072**	(1,002)
	38,682	31,608

The amount recognised in the consolidated statement of profit or loss is as follows:

	2023 RMB'000	2022 RMB'000
Share of results of an associate	**7,074**	150

Details of the associate at the end of the reporting period are as follows:

Name of associate	Place of business, country of incorporation	% of ownership interest		Carrying amount	
		2023	2022	2023 RMB'000	2022 RMB'000
北京永達天恒體育文化傳媒有限公司 (Beijing Evertop Sports Culture Media Co., Ltd*) ("Beijing Evertop")	Beijing, The PRC	**45%**	45%	**38,682**	31,608

* The official name is in Chinese and the English name is translated for identification purpose only.

(i) Beijing Evertop is a private company and there is no quoted market price available for the investment.

(ii) Beijing Evertop is accounted for using the equity method in the consolidated financial statements.

(iii) The principal activity of Beijing Evertop is engaged in sports broadcasting, as well as media copyright promotion.

Relationship with an associate

Beijing Evertop, a non-wholly owned subsidiary of Wanda Group, a multinational conglomerate company in the PRC, provides business synergy between the Group and the Wanda Group by putting together the skills and techniques of the Group and the Wanda Group to provide more diversified solutions to its customers and participate in more sports and events.

12. INTEREST IN AN ASSOCIATE *(continued)*

Summarised financial information

Summarised financial information prepared using the same accounting policies as adopted by the Group is set out below.

(a) Beijing Evertop

(i) Summarised statement of financial position

	2023 RMB'000	2022 RMB'000
Current assets	59,703	36,191
Current liabilities	(30,832)	(25,582)
Net current assets	28,871	10,609
Non-current assets	9,716	12,076
Non-current liabilities	(402)	(220)
Net assets	38,185	22,465

(ii) Summarised statement of comprehensive income

	2023 RMB'000	2022 RMB'000
Revenue	82,834	19,424
Profit before income tax	17,234	335
Income tax expenses	(1,514)	–
Profit and total comprehensive income	15,720	335

12. INTEREST IN AN ASSOCIATE *(continued)*

Summarised financial information *(continued)*

(a) Beijing Evertop *(continued)*

(iii) Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in an associate.

	2023 RMB'000	2022 RMB'000
Opening net assets	**22,465**	22,130
Profit for the year	**15,720**	335
Closing net assets	**38,185**	22,465
Share of net assets (45%)	**17,183**	10,109
Goodwill	**23,299**	23,299
Accumulated impairment loss on goodwill	**(1,800)**	(1,800)
Carrying value of interest in an associate	**38,682**	31,608

Impairment test

The Group has engaged an independent valuer, Vincorn Consulting and Appraisal Limited ("Vincorn"), to perform the valuation of carrying amount of the Group's interest in Beijing Evertop as at 31 December 2023. The recoverable amount of Beijing Evertop has been determined based on the basis of VIU. The VIU calculation use cash flow projections based on financial budgets prepared by the management covering a 5-year period, and pre-tax discount rate of 11.9% (2022: 14.5%). The cash flow beyond the 5-year period are extrapolated using a 3% (2022: 3%) growth rate with the cooperation with the Group to provide more diversified solutions to its customers and participate in more sports and events, the management of the Group considers the growth rate is reasonable.

The key assumptions for the VIU calculation are budgeted growth rate and budgeted gross margin, which are determined based on the past performance and the management's expectation of the market development, future performance of Beijing Evertop and market growth forecast.

Based on the valuation prepared by Vincorn, the recoverable amounts as at 31 December 2023 are determined higher than the carrying amounts.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Vehicles and machinery RMB'000	Furniture, fixture and equipment RMB'000	Total RMB'000
Reconciliation of carrying amount — Year ended 31 December 2022				
As at 1 January 2022	28,060	503	1,763	30,326
Exchange realignments	–	–	(66)	(66)
Additions	–	24	4,791	4,815
Disposal of a subsidiary	–	(91)	(223)	(314)
Depreciation	(2,727)	(139)	(1,084)	(3,950)
As at 31 December 2022	25,333	297	5,181	30,811
Reconciliation of carrying amount — Year ended 31 December 2023				
As at 1 January 2023	**25,333**	**297**	**5,181**	**30,811**
Additions	**–**	**–**	**12,722**	**12,722**
Disposals	**–**	**–**	**(224)**	**(224)**
Depreciation	**(2,486)**	**(108)**	**(5,660)**	**(8,254)**
As at 31 December 2023	**22,847**	**189**	**12,019**	**35,055**
As at 31 December 2022				
Cost	53,436	3,531	17,438	74,405
Accumulated depreciation	(28,103)	(3,234)	(12,257)	(43,594)
	25,333	297	5,181	30,811
As at 31 December 2023				
Cost	**53,436**	**3,531**	**29,822**	**86,789**
Accumulated depreciation	**(30,589)**	**(3,342)**	**(17,803)**	**(51,734)**
	22,847	**189**	**12,019**	**35,055**

The Group's buildings are located in the PRC.

Depreciation expenses of RMB8,171,000 (2022: RMB3,561,000) has been charged in administrative expenses for the year ended 31 December 2023.

As at 31 December 2023, buildings with carrying amount of RMB22,847,000 (2022: RMB25,333,000) have been pledged for bank borrowings (note 26(b)).

14. GOODWILL

	2023 RMB'000
Reconciliation of carrying amount	–
At the beginning of the year	–
Acquisition of a subsidiary (note 30)	80,112
As at 31 December	80,112

Goodwill arose because the consideration paid for the acquisition effectively included amount in relation to the benefits originated from future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

Goodwill acquired through business combinations has been allocated to CGU of Beijing Be Friends Digital Technology Company Limited* ("Beijing Be Friends DT") for impairment test.

Impairment tests for CGU containing goodwill

The Group has engaged an independent valuer, Asia-Pacific Consulting and Appraisal Limited, to perform an appraisal of the recoverable amounts of the CGU of Beijing Be Friends DT. The recoverable amounts of CGU have been determined on the basis of higher of the CGU's fair value less costs of disposal and VIU calculations.

The recoverable amounts of the CGU of Beijing Be Friends DT, including cooperation agreement and media account (note 15) has been determined on the basis of VIU. The VIU calculations uses cash flow projection based on financial budgets approved by management covering a 5-year period by applying certain key assumptions.

The key assumptions used for VIU calculations as at 31 December 2023 are as follows:

Gross margin	49%
Pre-tax discount rate	16%
Average growth rate	3%
Perpetual growth rate	2%

The pre-tax discount rates used reflects the specific risks relating to the relevant business. The perpetual growth rates are based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Other key assumptions for the VIU calculations are budgeted growth rate and budgeted gross margin, which are determined based on the past performance and the management's expectation of the market development, future performance of the CGU and market growth forecast.

Management is of the opinion that any reasonably possible change in the key assumptions would not cause the CGU's carrying amount to exceed its recoverable amount.

* *The official name is in Chinese and the English name is translated for identification purpose only.*

15. INTANGIBLE ASSETS

	Cooperation agreement RMB'000	Media accounts RMB'000	Computer software RMB'000	Customer relationships RMB'000	Technical know-how RMB'000	Development costs RMB'000	Total RMB'000
Reconciliation of carrying amount — year ended 31 December 2022							
As at 1 January 2022	–	–	6,161	1,039	27	–	7,227
Addition	–	–	2,361	–	–	–	2,361
Disposal of a subsidiary	–	–	–	(792)	–	–	(792)
Amortisation	–	–	(2,924)	(247)	(27)	–	(3,198)
As at 31 December 2022	–	–	5,598	–	–	–	5,598
Reconciliation of carrying amount — year ended 31 December 2023							
As at 1 January 2023	–	–	5,598	–	–	–	5,598
Addition	–	–	3,127	–	–	–	3,127
Additions — business combination (note 30)	8,100	2,910	–	–	–	–	11,010
Amortisation	(2,297)	(384)	(4,944)	–	–	–	(7,625)
As at 31 December 2023	5,803	2,526	3,781	–	–	–	12,110
As at 31 December 2022							
Cost	–	–	18,132	–	–	202	18,334
Accumulated amortisation	–	–	(12,534)	–	–	(202)	(12,736)
Net book value	–	–	5,598	–	–	–	5,598
As at 31 December 2023							
Cost	8,100	2,910	21,259	–	–	202	32,471
Accumulated amortisation	(2,297)	(384)	(17,478)	–	–	(202)	(20,361)
Net book value	5,803	2,526	3,781	–	–	–	12,110

Amortisation expense of RMB7,625,000 (2022: RMB3,198,000) for the year ended 31 December 2023 has been charged in administrative expenses.

Cooperation agreement and media accounts were acquired as a result of the acquisition of Beijing Be Friends DT. Amortisation is provided on the straight-line basis over their estimated useful lives. The carrying amounts of cooperation agreement and media accounts are measured at cost less accumulated amortisation and impairment losses. As at 31 December 2023, cooperation agreement and media accounts were tested for impairment (see note 14) and no impairment loss was charged for the year.

16. LEASES

Right-of-use assets	Properties RMB'000
Reconciliation of carrying amount — year ended 31 December 2022	
As at 1 January 2022	4,923
Additions	17,272
Disposal of a subsidiary	(1,646)
Depreciation	(4,258)
Exchange realignments	11
As at 31 December 2022	16,302
Reconciliation of carrying amount — year ended 31 December 2023	
As at 1 January 2023	**16,302**
Additions	**29,686**
Lease modification	**(2,010)**
Depreciation	**(14,657)**
Exchange realignments	**(11)**
As at 31 December 2023	**29,310**
As at 31 December 2022	
Cost	18,468
Accumulated depreciation	(2,166)
Net book amount	16,302
As at 31 December 2023	
Cost	**44,711**
Accumulated depreciation	**(15,401)**
Net book amount	**29,310**

Depreciation expenses of RMB14,657,000 (2022: RMB4,258,000) for the year ended 31 December 2023 has been charged in administrative expenses.

The Group's right-of-use assets in respect of properties represent the prepaid operating lease payment of car parks located in the PRC with lease term of 46 years and leases of various offices and warehouses respectively. Rental contracts in relation to various offices and warehouses are typically made for fixed periods of 2 to 3 years (2022: 2 to 3 years). Lease terms are negotiated on an individual basis and contain similar terms and conditions.

As at 31 December 2023 and 2022, the Group's right-of-use assets were located in the PRC and Hong Kong.

16. LEASES *(continued)*

Restrictions or covenants

Most of the leases impose a restriction that, unless the approval is obtained from the lessor, the right-of-use assets can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets.

For leases of properties, the Group is required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

Lease liabilities

	2023 RMB'000	2022 RMB'000
Lease liabilities		
Non-current	**6,295**	7,908
Current	**20,272**	7,997
	26,567	15,905

Note: The incremental borrowing rate applied to the lease liabilities during the year ended 31 December 2023 ranging from 4.45% to 4.89% (2022: 4.89%).

	2023 RMB'000	2022 RMB'000
Lease payments:		
Short-term leases	**2,096**	2,279
Expenses recognised in the consolidated statement of profit or loss	**2,096**	2,279
Lease payments:		
Interest on lease liabilities	**1,013**	238
Repayment of lease liabilities	**17,018**	3,877
	18,031	4,115
Total cash outflow for leases	**20,127**	6,394

17. TRADE AND OTHER RECEIVABLES

	Notes	2023 RMB'000	2022 RMB'000
Trade receivables			
— from third parties		283,875	200,022
— from an associate		1,742	3,667
	(vii)	285,617	203,689
Less: provision for impairment of trade receivables	3.1(b)	(57,028)	(50,195)
Trade receivables, net		228,589	153,494
Other receivables			
Deposit for guarantee certificate over tendering and performance	(i)	5,551	39,809
Deposit paid for acquisition of a subsidiary	(ii)	16,934	16,934
Cash advance to employees		4,022	4,650
Contingent consideration receivable	(iii)	17,325	–
Due from related parties	(iv)	18,195	6,047
Receivable from disposal of a subsidiary	(v)	3,602	3,602
Amount due from a third party	(vi)	–	7,000
Other deposits paid		2,145	5,305
Others		2,398	8,694
		70,172	92,041
Less: provision for impairment of deposits paid for acquisition of a subsidiary	(ii)	(16,934)	(16,934)
Less: provision for impairment of other receivables		–	(1,800)
	3.1(b)	(16,934)	(18,734)
Other receivables, net		53,238	73,307
Total trade and other receivables		281,827	226,801
Less: Non-current portion			
Receivable from disposal of a subsidiary	(v)	3,602	3,602
Other deposits paid		4,156	4,027
Trade receivables — third parties	(vii)	2,556	2,084
Less: provision for impairment of trade receivables		(54)	(54)
Non-current portion		10,260	9,659
Current portion		271,567	217,142

As at 31 December 2023 and 2022, the fair values of trade and other receivables of the Group approximate their carrying amounts.

17. TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

(i) Deposits for guarantee certificate over tendering and performance are placed with customers for performing the contracts and they are interest free and will be returned when the contracts complete. As at 31 December 2023, no amount (2022: RMB30,000,000) included in the balance are used to secure the contracts for the livestream e-commerce on the e-commence platforms and expected to be recovered after 12 months.

(ii) The amount represented a refundable deposit paid in relation to a proposed acquisition of 100% equity interests of a target company amounting to HKD20,000,000 (equivalent to RMB16,934,000) paid to the seller in 2015. The conditions precedent underlying this proposed acquisition was not fulfilled and therefore the acquisition did not proceed. In March 2018, the Group entered into another framework agreement with this seller to transfer this deposit into prepayment of 20% equity interests of another target company. In 2018, management has evaluated that the acquisition of this new target company would not contribute benefit to the Group as a whole and did not proceed further. Thereafter, management ran into dispute with the seller to refund the deposit. Based on the management's assessment with consultation with external legal counsel's opinion, the recoverability of the prepayment is remote. A full provision was provided in 2018 accordingly.

On 19 May 2022, The Hong Kong International Arbitration Centre has arrived a verdict that the Group is entitled to receive the refundable deposit of HKD20,000,000, together with interest at The Hong Kong Interbank Offered Rate plus 1% per annum on such amount, from the seller.

Although the Group has taken further actions to request the seller to settle the outstanding balance, the seller has not responded to the Group's requests. The management has further evaluated the recoverability of the deposit and consider that the probability to receive such amount is still remote, therefore, no reversal of provision has been made.

(iii) The amount represented contingent receivable for disposal of Beijing Evertop in 2018. The contingent consideration receivable will be settled only when the audited profits after tax of Beijing Evertop for the three years ended 31 December 2020 ("Profit Guarantee Period") shall not be less than RMB30,000,000 ("Target Profits") in aggregate.

In view of the coronavirus outbreak in the PRC since early 2020, there has been disruption in the general business operation environment in the PRC, especially to the sports industry, and the business performance of Beijing Evertop was affected. On 8 July 2020, the Group and Wanda Sports Co., Ltd ("Wanda Sports") entered into a supplemental agreement to the equity transfer agreement dated 9 November 2018 pursuant to which the parties agreed to amend, inter alia, the Profit Guarantee Period from the three years ended 31 December 2020 to the two years ended 31 December 2019 together with the year ended 31 December 2021 ("Revised Profit Guarantee Period").

On 9 February 2022, the Group and Wanda Sports entered into the second supplemental agreement to the equity transfer agreement dated 9 November 2018 pursuant to which the parties agreed to amend, inter alia, the Revised Profit Guarantee Period from the two years ended 31 December 2019 together with the year ended 31 December 2021 to the two years ended 31 December 2019 together with the year ending 31 December 2022 ("Second Revised Profit Guarantee Period"). In the event that Beijing Evertop generates profits exceeded RMB21,000,000 (the "Minimum Profit Target") but less than the Target Profits during the Second Revised Profit Guarantee Period, the consideration shall be adjusted downwards, or additional equity interests in Beijing Evertop shall be transferred to Wanda Sports at the election of Wanda Sports.

On 10 March 2023, the Group and Wanda Sports, after considered the continuous coronavirus outbreak in the PRC remain affecting the sport industry and adversely affect the business performance of Beijing Evertop, entered into the third supplemental agreement to the equity transfer agreement dated 9 November 2018 pursuant to which the parties agreed to amend, inter alia, the Second Revised Profit Guarantee Period from the two years ended 31 December 2019 together with the year ended 31 December 2022 to the two years ended 31 December 2019 together with the year ended 31 December 2023 ("Third Revised Profit Guarantee Period"), and deducting 55% of the actual net loss (if any) of Beijing Evertop for the year ended 31 December 2022 as set out in its 2022 audited financial statement.

In the event that the actual profit of Beijing Evertop does not meet the Minimum Profit Target during the Third Revised Profit Guarantee Period, Wanda Sports shall have the right to request the refund of the total consideration paid of RMB24,900,000 together with interest at the rate of 10% per annum.

Based on the available financial information of Beijing Evertop, the management estimates that Beijing Evertop has met the Target Profits during the Third Revised Profit Guarantee Period. As such, there was a change in fair value of the contingent consideration receivable of RMB17,325,000 during the year ended 31 December 2023 (2022: Nil).

17. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: *(Continued)*

(iv) The amounts due are unsecured, interest-free and repayable on demand.

Details of amounts due from related companies are as follows:

		As at 31 December		Maximum amount During the year ended 31 December	
	Notes	**2023 RMB'000**	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
北京世紀睿科工程技術有限公司	(a)	**10,316**	5,071	**10,316**	5,071
北京格非信息技術有限公司	(b)	**7,879**	976	**7,879**	1,487
		18,195	6,047		

Note:

(a) Mr. Lo Chi Sum ("Mr. Lo"), an executive director of the Company, has direct beneficial interests in, and control over, the related company.

(b) Certain directors of a non-wholly owned subsidiary have direct beneficial interests in, and control over, a related company.

(v) The amount due is unsecured, interest-free and repayable on or before 29 April 2027.

(vi) The amount due was unsecured, interest bearing of 1% per annum and wholly repaid during the year.

(vii) Invoices issued to our customers (both third parties and an associate) are payable on issuance and no credit terms are stipulated in our project contracts and service agreement for new media services generally. The majority of the Group's trade receivables will be settled from three months to two years based on the historical record. The Group has put in place control measures so that our accounting and finance department will keep regular tracking of outstanding receivables, and our heads of sale department would supervise our sale personnel to closely monitor and follow up with our customers on settlement of the outstanding receivables.

The ageing analysis of the trade receivables based on invoice date is as follows:

	2023 RMB'000	2022 RMB'000
Up to 3 months	**140,186**	81,240
Over 3 months but less than 6 months	**10,221**	9,237
Over 6 months but less than 1 year	**37,973**	19,981
Over 1 year but less than 2 years	**20,937**	27,577
Over 2 years but less than 3 years	**13,552**	14,778
Over 3 years	**62,748**	50,876
	285,617	203,689

The Group applies simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

17. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: *(Continued)*

Information about the impairment of trade receivables and the Group's exposure to foreign currency risk and credit risk are detailed in notes 3.1(a) and 3.1(b) to the consolidated financial statements respectively.

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

	2023 RMB'000	2022 RMB'000
Trade receivables		
RMB	**224,840**	146,065
USD	**433**	822
HKD	**3,316**	6,607
	228,589	153,494
Other receivables		
RMB	**52,292**	72,181
HKD	**–**	303
Others	**946**	823
	53,238	73,307
	281,827	226,801

Movements on the provision for impairment of trade receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of the year	**50,195**	57,101
Disposal of a subsidiary	**–**	(6,998)
Provision for impairment	**6,833**	92
At end of the year	**57,028**	50,195

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

18. INVENTORIES

	2023 RMB'000	2022 RMB'000
Equipment and parts	**61,978**	63,384
Contract work in progress	**31,942**	21,131
	93,920	84,515
Provision for inventories	**(27,126)**	(20,154)
	66,794	64,361

Provision of RMB6,972,000 (2022: RMB8,452,000) was made to write down the inventories to net realisable value during the year.

The cost of inventories recognised as expense is included in "cost of sales" amounted to RMB50,446,000 (2022: RMB81,206,000) for the year ended 31 December 2023.

19. OTHER CURRENT ASSETS

	2023 RMB'000	2022 RMB'000
Prepayment for purchase of goods or services	**38,901**	19,605

20. PLEDGED BANK DEPOSITS

The amounts represent deposits placed in banks for guarantees issued for trade finance facilities used by the Group. The deposits have a maturity period within one year and bear interest rate of 0.30% (2022: 0.30%) per annum for the year ended 31 December 2023.

The carrying amount of the pledged bank deposits are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	**355**	188
USD	**5**	604
HKD	**100**	100
Others	**24**	–
	484	892

21. LONG-TERM BANK DEPOSITS AND BANK BALANCES AND CASH

a. Long-term bank deposits

The long-term bank deposits with maturity date on 28 June 2026 and carries fixed interest rate of 3.2% per annum.

b. Cash and cash equivalents

	2023 RMB'000	2022 RMB'000
Cash on hand	180	73
Cash at banks	149,356	50,855
	149,536	50,928

The carrying amount of the bank balances and cash are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	147,985	50,467
HKD	1,376	349
USD	110	47
JPY	–	3
Others	65	62
	149,536	50,928

The conversion of RMB into foreign currencies for the purpose of dividends is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rate on bank deposits is 0.2% (2022: 0.25%) per annum for the year ended 31 December 2023.

22. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Contract liabilities — third parties	**32,908**	14,670

Contract liabilities primarily consist of the advance from customers for further goods or services to be provided.

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2023 RMB'000	2022 RMB'000
As at 1 January	**14,670**	31,068
Disposal of a subsidiary	**–**	(388)
Recognised as revenue	**(11,149)**	(27,340)
Receipt in advances or recognition of receivables	**29,387**	11,330
As at 31 December	**32,908**	14,670

For the year ended 31 December 2023, the increase in contract liabilities was mainly due to the increase in receipt in advance as a result of the increase in prepaid online marketing services fee for the completion of live-streaming e-commerce activities after the end of the reporting period.

As at 31 December 2023, most of the contract liabilities are expected to be settled within next 12 months.

23. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HKD'000
Authorised:		
Ordinary shares of HKD0.01 each		
As at 1 January 2022, 31 December 2022, 1 January 2023 and **31 December 2023**	5,000,000,000	50,000

Ordinary shares of HKD0.01 each, issued and fully paid:

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000
Balance as at 1 January 2022	1,089,883,169	10,899	8,694
Issue of new shares for the Share Award Plan	17,040,000	170	139
Conversion of convertible bonds	204,347,826	2,043	1,834
Balance as at 31 December 2022 and 1 January 2023	**1,311,270,995**	**13,112**	**10,667**
Issue of new shares for the Share Award Plan (note 24 (ii))	**79,570,168**	**796**	**696**
Balance as at 31 December 2023	**1,390,841,163**	**13,908**	**11,363**

24. SHARE BASED PAYMENTS

(i) 2014 Share Award Plan

The Company adopted an existing share award plan (the "2014 Share Award Plan") on 24 March 2014. The 2014 Share Award Plan was approved to terminate by shareholders on 8 December 2022. A total of 1,386,000 shares of the Company were sold by the trustee. The net proceeds from disposal of shares held for 2014 Share Award Plan was RMB1,262,000.

The 2014 Share Award Plan is administered by a trustee (the "2014 Share Award Plan Trustee"). The purposes of the 2014 Share Award Plan are to recognise and reward the contribution of certain selected participants to the growth and development of the Group, to give incentives thereto 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.

The board of directors shall notify the 2014 Share Award Plan Trustee in writing upon the making of an award to an eligible participant (the "Selected Participant") under the 2014 Share Award Plan. Upon the receipt of such notice, the 2014 Share Award Plan Trustee shall set aside the appropriate number of awarded shares pending the transfer and vesting of the same to the Selected Participant out of a pool of shares comprising the following:

(a) such shares as may be (1) transferred to the 2014 Share Award Plan Trustee from any person (other than the Group) by way of gift; or (2) purchased by the 2014 Share Award Plan Trustee by utilising the funds received by the 2014 Share Award Plan Trustee from any person (other than the Group) by way of gift;

(b) such shares as may be purchased by the 2014 Share Award Plan Trustee on the Stock Exchange by utilising the funds allocated by the board of directors out of the Group's resources;

(c) such shares as may be subscribed for at par value by the 2014 Share Award Plan Trustee by utilising the Group's resources; and

(d) such shares which remain unvested and revert to the 2014 Share Award Plan Trustee in accordance with the rules of the 2014 Share Award Plan.

Subject to the rules of the 2014 Share Award Plan, the legal and beneficial ownership of the relevant awarded shares shall vest in the relevant Selected Participant within ten business days after the latest of:

(a) the date specified on the notice of the award given by the board of directors to the 2014 Share Award Plan Trustee; and

(b) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such Selected Participant as specified in the related notice of award have been attained and notified to the 2014 Share Award Plan Trustee by the board of directors in writing.

On 1 April 2022, the board of directors has resolved to grant a total of 17,040,000 awarded shares, represent approximately 1.48% of the weighted average number of ordinary shares in issue, at nil consideration to eleven Selected Participants pursuant to the 2014 Share Award Plan. Such awarded shares were issued on 11 April 2022 and are held by the 2014 Share Award Plan Trustee.

24. SHARE BASED PAYMENTS *(continued)*

(i) 2014 Share Award Plan *(continued)*

Details of the granting of new awarded shares are set out in the Company's announcement dated 1 April 2022.

Movement of the Company's shares held by the 2014 Share Award Plan Trustee under the 2014 Share Award Plan during the year is as follows:

	Held by the 2014 Share Award Plan Trustee yet to be awarded	Number of shares Held by the 2014 Share Award Plan Trustee for the grantee	Total held by the 2014 Share Award Plan Trustee
Balance as at 1 January 2022	–	–	–
Number of the Company's shares issued to the 2014 Share Award Plan Trustee under the 2014 Share Award Plan	17,040,000	–	17,040,000
Granted to grantees during the year	(17,040,000)	17,040,000	
Transfer to grantee upon vesting during the year	–	(13,632,000)	(13,632,000)
Balance as at 31 December 2022 and 1 January 2023	–	3,408,000	3,408,000
Forfeited and disposed during the year	–	(1,386,000)	(1,386,000)
Transfer to grantee upon vesting during the year	–	(2,022,000)	(2,022,000)
Balance as at 31 December 2023	–	–	–

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The fair value of awarded shares granted during the year ended 31 December 2022 was RMB1.53 per share.

(ii) 2022 Share Award Plan

On 8 December 2022, the Company adopted a new share award plan (the "2022 Share Award Plan") which is administered by another trustee (the "2022 Share Award Plan Trustee"). The 2022 Share Award Plan, unless early terminated, will remain in force for 10 years until 7 December 2032.

The purposes of the 2022 Share Award Plan are to recognise and reward the contribution of certain Selected Participants to the growth and development of the Group to give incentives thereto 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.

The board of directors shall notify the 2022 Share Award Plan Trustee in writing upon the making of an award to the Selected Participant under the 2022 Share Award Plan. Upon the receipt of such notice, the 2022 Share Award Plan Trustee shall set aside the appropriate number of awarded shares pending the transfer and vesting of the same to the Selected Participant out of a share pool, into which the 2022 Share Award Plan Trustee may by, among other, utilising the trust fund of the trust to purchase the share on the Stock Exchange at the preventing market price, or off market or subscription (as the case analyse).

24. SHARE BASED PAYMENTS *(continued)*

(ii) 2022 Share Award Plan *(continued)*

Subject to the rules of the 2022 Share Award Plan, the legal and beneficial ownership of the relevant awarded shares shall vest in the relevant Selected Participant as soon as practicable after the latest of:

(i) the earliest date on which the 2022 Award Plan Trustee may vest the legal and beneficial ownership of the awarded shares in the relevant Selected Participant, which shall be a date not less than 12 months from the date of acceptance of the award by the relevant Selected Participant unless otherwise permitted under the Rules Governing the Listing of Securities on The Stock Exchange;

(ii) the receipt by the 2022 Share Award Plan Trustee of the requisite information and documents stipulated by the 2022 Share Award Plan Trustee; and

(iii) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such Selected Participant as specified in the related notice of award have been attained and notified to the 2022 Share Award Plan Trustee by the board of directors or the person(s) from time to time delegated by the board of directors with the power and authority to administer the 2022 Share Award Plan in writing.

On 10 January 2023, the Company granted 74,471,230 awarded shares to 68 Selected Participants, of which (i) 32,933,030 awarded shares granted to low to senior level employees of the Group; (ii) 1,200,000 awarded shares granted to a service provider; and (iii) 39,338,200 awarded shares and 1,000,000 awarded shares granted to Mr. Li Liang and Ms. Zhao Hui Li respectively, both are executive directors of the Company. The closing price on the date of grant is HKD1.88 (approximately RMB1.63) per share.

On 31 August 2023, the Company granted 5,411,330 awarded shares to 80 Selected Participants of which all awarded shares granted to low to senior level employees of the Group. The closing price on the date of grant is HKD1.48 (approximately RMB1.35) per share.

35,133,030 awarded shares, 39,338,200 awarded shares and 5,098,938 awarded shares were issued on 17 January 2023, 28 April 2023 and 14 September 2023 respectively pursuant to the 2022 Share Award Plan. The closing price on the date of issue is HKD1.88 (approximately RMB1.64), HKD2.02 (approximately RMB1.78) and HKD1.35 (approximately RMB1.24) per share respectively.

Details of the granting of new awarded shares are set out in the Company's announcements dated 10 January 2023 and 31 August 2023 and the Company's circular dated 7 February 2023.

24. SHARE BASED PAYMENTS *(continued)*

(ii) 2022 Share Award Plan *(continued)*

Movements of the Company's shares held by the 2022 Share Award Plan Trustee under the 2022 Share Award Plan during the year are as follows:

	Held by the 2022 Share Award Plan Trustee yet to be awarded	Number of shares Held by the 2022 Share Award Plan Trustee for the grantee	Total held by the 2022 Share Award Plan Trustee
Balance as at 1 January 2023	–	–	–
Granted to grantees during the year	(79,882,560)	79,882,560	–
Number of the Company's shares issued to the 2022 Share Award Plan Trustee under the 2022 Share Award Plan	79,570,168	–	79,570,168
Forfeited during the year	312,392	(312,392)	–
Transfer to grantee upon vesting during the year	–	(19,007,680)	(19,007,680)
Balance as at 31 December 2023	–	60,562,488	60,562,488

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The average fair value of awarded shares granted during the year ended 31 December 2023 was RMB1.49 per share.

(iii) Share-based payment expenses

The amounts of share-based payment expenses with a corresponding credit to reserve of the Group during the year are as follows:

	2023 RMB'000	2022 RMB'000
Share Award Plan		
— Employees (excluding directors of the Company)	48,133	23,422
— Directors of the Company (note 35)	34,156	–
— A service provider	1,424	–
	83,713	23,422

25. OTHER RESERVES

	Merger reserve	Translation reserve	Share award reserve	Capital reserve	Convertible bonds equity reserve	Statutory reserve	Total
	RMB'000 (note a)	RMB'000 (note b)	RMB'000 (note c)	RMB'000 (note d)	RMB'000 (note f)	RMB'000 (note g)	RMB'000
Balance as at 1 January 2022	(70,612)	(1,592)	–	1,971	34,364	–	(35,869)
Employee share award — value of employee services	–	–	23,422	–	–	–	23,422
Issuance of new shares for the Share Award Plan	–	–	(139)	–	–	–	(139)
Conversion of convertible bonds	–	–	–	–	(34,364)	–	(34,364)
Transfer	–	–	–	–	–	2,824	2,824
Currency translation differences	–	(3,353)	–	–	–	–	(3,353)
Balance as at 31 December 2022	(70,612)	(4,945)	23,283	1,971	–	2,824	(47,479)
Balance as at 1 January 2023	**(70,612)**	**(4,945)**	**23,283**	**1,971**	**–**	**2,824**	**(47,479)**
Employee share award — value of employee services	**–**	**–**	**83,713**	**–**	**–**	**–**	**83,713**
Issuance of new shares for the Share Award Plan	**–**	**–**	**(696)**	**–**	**–**	**–**	**(696)**
Transfer	**–**	**–**	**–**	**–**	**–**	**7,500**	**7,500**
Currency translation differences	**–**	**1,043**	**–**	**–**	**–**	**–**	**1,043**
Balance as at 31 December 2023	**(70,612)**	**(3,902)**	**106,300**	**1,971**	**–**	**10,324**	**44,081**

Notes:

a. The merger reserve of the Group represents the difference between the nominal value of the shares of the Company, acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange thereof.

b. The translation reserve has been set up and is dealt with in accordance with the accounting policies adopted for foreign currency translation as set out in note 2 to the consolidated financial statements.

c. The share award reserve comprises the fair value of share-based payment transactions and is dealt with in accordance with the accounting policies as set out in note 2 to the consolidated financial statements.

d. The capital reserve has been set up to deal with the changes in ownership interests in subsidiaries that do not result in a loss of control. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised in capital reserve.

e. Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value.

f. The convertible bonds equity reserve represents the equity component of the convertible bonds issued as set out in note 2 to the consolidated financial statements.

g. According to the PRC Company Law, the PRC subsidiaries of the Group (excluding foreign investment enterprises) are required to transfer 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory reserve until the reserve balance reached 50% of their registered capital.

The transfer to this reserve must be made before distribution of a dividend to shareholders.

26. BANK AND OTHER BORROWINGS

	Notes	2023 RMB'000	2022 RMB'000
Bank borrowings, unsecured and guaranteed	(a)	**20,483**	11,091
Bank borrowings, secured and guaranteed	(b)	**12,500**	29,500
Bank borrowings, unsecured and unguaranteed	(c)	**11,747**	7,000
Other borrowings, unsecured and guaranteed	(d)	**–**	9,165
Other borrowings, unsecured and unguaranteed	(e)	**89,158**	70,068
		133,888	126,824
Non-current		**35,644**	17,859
Current		**98,244**	108,965
		133,888	126,824

(a) Bank borrowings, unsecured and guaranteed

The bank borrowings are unsecured, bear interest (i) at fixed rates ranging from 3.55% to 4.3% per annum; or (ii) at the prevailing interest rate of 台灣央行專案融通利率 plus 1.4% per annum (2022: (i) at fixed rate of 4.3% per annum; or (ii) at the prevailing interest rate of 台灣央行專案融通利率 plus 1.4% per annum).

The bank borrowings of RMB6,000,000 (2022: RMB10,000,000) are guaranteed by non-controlling shareholders of a subsidiary, which are wholly repayable within one year.

The bank borrowings of RMB833,000 (2022: RMB1,091,000) (denominated in New Taiwan dollar ("TWD")) are guaranteed by Mr. Lo and a director of a subsidiary and repayable in December 2026.

The bank borrowings of RMB3,650,000 (2022: RMBNil) are guaranteed by an independent third party, Beijing Guohua Culture & Technology Financing Guarantee Co., Ltd., a director of a subsidiary and his spouse, which are wholly repayable within one year.

The remaining bank borrowings of RMB10,000,000 (2022: RMBNil) are guaranteed by an independent third party, Beijing Zhongguancun Sci-Tech Financing Guaranty Co., Ltd., which are wholly repayable within one year.

(b) Bank borrowings, secured and guaranteed

The bank borrowings bear interest at the prevailing interest rate of Loan Prime Rate ("LPR") in the PRC (2022: at the prevailing interest rate of LPR in the PRC).

The bank borrowings are secured by the buildings with carrying amount of RMB22,847,000 (2022: RMB25,333,000) and are guaranteed by an independent third party, Beijing Zhongguancun Sci-Tech Financing Guaranty Co., Ltd. (2022: the same). The bank borrowings are wholly repayable within one year.

26. BANK AND OTHER BORROWINGS *(continued)*

(c) Bank borrowings, unsecured and unguaranteed

The bank borrowings are unsecured, bear interest at fixed rates ranging from 3.85% to 15.01% per annum (2022: at fixed rates ranging from 3.5% to 4.25% per annum).

As at 31 December 2023, amount of RMB3,000,000 (2022: RMB7,000,000) included in the balance are repayable within one year and classified as current liabilities. The remaining balance of RMB8,747,000 (2022: RMBNil) is repayable during June 2025 to October 2026.

(d) Other borrowings, unsecured and guaranteed

The other borrowings were unsecured, bore interest at fixed rate of 2% per month, guaranteed by a non-controlling shareholder of a subsidiary and a related company. The borrowings were repaid during the year.

(e) Other borrowings, unsecured and unguaranteed

The other borrowings are unsecured, bear interest (i) at rates ranging from 1% to 12% per annum; or (ii) at rates ranging from 2% to 3% per month (2022: at rates ranging from 1% to 12% per annum).

An amount of RMB2,390,000 was repaid during the year and the repayment date of the remaining balance of RMB50,910,000 has been extended to 31 December 2024.

The other borrowings of RMB12,184,000 (2022: RMBNil) are wholly repayable within one year.

The remaining other borrowings of RMB16,064,000 (2022: RMB16,768,000) (denominated in JPY) and RMB10,000,000 (2022: RMBNil) (denominated in RMB) is repayable in June 2025 and January 2028 respectively.

(f) The scheduled repayment dates of the Group's bank and other borrowings, as set out in loan arrangements without considering the effect of any repayment on demand clause, are as follows:

	2023 **RMB'000**	2022 RMB'000
Repayable on demand or within 1 year	**98,244**	108,965
Repayable after 1 year but within 2 years	**24,811**	–
Repayable after 2 years but within 5 years	**10,833**	17,859
	133,888	126,824

26. BANK AND OTHER BORROWINGS *(continued)*

(g) The exposure of the Group's bank and other borrowings to interest rate changes are as follows:

	2023 RMB'000	2022 RMB'000
Fixed interest rate	**120,555**	96,233
Variable interest rate	**13,333**	30,591
	133,888	126,824

(h) The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	**116,991**	108,965
TWD	**833**	1,091
JPY	**16,064**	16,768
	133,888	126,824

27. TRADE AND OTHER PAYABLES

	Notes	**2023 RMB'000**	2022 RMB'000
Trade payables			
— to third parties		**93,501**	51,663
— to an associate		**11,586**	12,894
	(a)	**105,087**	64,557
Other payables			
Other taxes payables		**15,784**	24,424
Employee benefits payables		**46,363**	31,856
Due to an associate	(b)	**623**	3,651
Due to a director	(c)	**2,668**	4,477
Due to a related company/a shareholder	(d)	**9,710**	9,710
Accrual for professional service fees		**1,850**	1,750
Accrual for operating expenses		**5,356**	1,151
Interest payables		**22,781**	16,736
Loans from third parties	(e)	**8,500**	8,500
Others		**4,991**	2,356
		118,626	104,611
		223,713	169,168

27. TRADE AND OTHER PAYABLES *(continued)*

Notes:

(a) The credit period of trade payables is normally within 60 (2022: 60) days. The ageing analysis of the trade payables based on invoice date is as follows:

	2023 RMB'000	2022 RMB'000
Within 3 months	**63,913**	27,581
Over 3 months but within 6 months	**18,233**	6,475
Over 6 months but within 1 year	**177**	2,496
Over 1 year but within 2 years	**5,346**	14,871
Over 2 years but within 3 years	**5,919**	7,351
Over 3 years	**11,499**	5,783
	105,087	64,557

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	**104,642**	64,152
USD	**101**	102
HKD	**344**	239
TWD	**–**	64
	105,087	64,557

(b) The amounts due to Beijing Evertop are unsecured, interest-free and repayable on demand.

(c) The balance represents the amounts due to Mr. Lo. As at 31 December 2023, the balance is unsecured, bears interest at rate of 5.25% per annum (2022: except for balance of RMB912,000 which is interest free and remaining balance bear interest at rate of 5.25%) and repayable on demand.

(d) The balance represents the amount due to Cerulean Coast Limited ("Cerulean"), a company wholly-owned by Mr. Lo. As at 31 December 2023, the balance is unsecured, bears interest at rate of 5.25% per annum (2022: except for balance of RMB2,299,000 which is interest free and remaining balance bear interest at rate of 5.25%) and repayable on demand.

(e) The loans are unsecured, interest-free and repayable within one year.

28. DEFERRED INCOME TAX

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**11,776**	–
Deferred tax liabilities	**(2,753)**	–
	9,023	–

The following is the deferred tax assets (liabilities) recognised by the Group and movements thereon during the year.

	Timing difference arising from share based payment expenses RMB'000	**Fair value surplus arising from acquisition of subsidiaries** RMB'000	**Total** RMB'000
As at 1 January 2022, 31 December 2022 and at 1 January 2023	–	–	–
Additions — business combination (note 30)	–	(2,753)	(2,753)
Credited to consolidated profit or loss (note 10)	11,776	–	11,776
As at 31 December 2023	**11,776**	**(2,753)**	**9,023**

As at 31 December 2023, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB167,026,000 (2022: RMB77,889,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

28. DEFERRED INCOME TAX *(continued)*

Unrecognised deferred income tax assets arising from

	2023 RMB'000	2022 RMB'000
Before multiplied by the applicable tax rates:		
Deductible temporary differences	**121,121**	142,369
Tax losses	**171,209**	170,063
	292,330	312,432

No deferred income tax asset has been recognised in respect of these items due to the unpredictability of future profit streams. No deductible temporary differences expire under current tax legislation. The expiry dates of unrecognised tax losses are as follows:

	2023 RMB'000	2022 RMB'000
Tax losses expiring on 31 December 2023	**–**	7,511
Tax losses expiring on 31 December 2024	**36,233**	36,233
Tax losses expiring on 31 December 2025	**9,076**	9,076
Tax losses expiring on 31 December 2026	**1,497**	1,497
Tax losses expiring on 31 December 2027	**19,041**	19,041
Tax losses expiring on 31 December 2028	**14,194**	–
Tax loss without expiry date	**98,172**	96,705
	178,213	170,063

29. DIVIDENDS

The directors of the Company do not recommend payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

30. BUSINESS COMBINATION

On 4 May 2023, the Group and an independent third party (the "Vender") entered into a share transfer agreement, pursuant to which the Group has conditionally agreed to acquire, and the Vender has conditionally agreed to sell entire equity interests in Beijing Be Friends DT and its subsidiaries (the "Beijing Be Friends DT Group") at a consideration of RMB50,000,000 ("Beijing Be Friends DT Group Acquisition"). Upon the completion of Beijing Be Friends DT Group Acquisition in May 2023, the Group held entire equity interests in Beijing Be Friends DT Group and Beijing Be Friends DT Group became an indirect wholly owned subsidiary of the Group.

Beijing Be Friends DT Group is principally engaged in the providing new media services and owns several media accounts on the Douyin online platform. The directors of the Company considered that Beijing Be Friends DT Group Acquisition would strengthen the Group's new media services in terms of ecological capability and brand influence.

30. BUSINESS COMBINATION *(continued)*

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed at the date of acquisition:

	RMB'000
Initial consideration	
Cash consideration	50,000
Total consideration	**50,000**
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Intangible assets (note 15)	11,010
Trade and other receivables^	1,238
Bank balances and cash	971
Trade and other payables	(40,578)
Deferred income tax liabilities (note 28)	(2,753)
Total identifiable net liabilities	(30,112)
Goodwill (note 14)	80,112
Total consideration	**50,000**
Net cash outflow on acquisition of subsidiaries	
Cash consideration paid	**(50,000)**
Bank balances and cash acquired from the subsidiaries	**971**
	(49,029)
Acquisition-related costs	**–**

^ The fair value of trade and other receivables at the date of acquisition amounted to RMB1,238,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB1,238,000 at the date of acquisition, of which no balance is expected to be uncollectible.

The goodwill is attributable to the economies of scale expected to arise after the Group's acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

31. FINANCIAL INSTRUMENTS BY CATEGORY

	At amortised cost RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
As at 31 December 2023			
Assets as per consolidated statement of financial position			
Long-term bank deposits	10,000	–	10,000
Trade and other receivables excluding prepayments	264,502	17,325	281,827
Bank balances and cash	149,536	–	149,536
Pledged bank deposits	484	–	484
	424,522	17,325	441,847

	Other financial liabilities at amortised cost RMB'000
Liabilities as per consolidated statement of financial position	
Bank and other borrowings	133,888
Trade and other payables excluding non-financial liabilities	161,566
Lease liabilities	26,567
	322,021

	At amortised cost RMB'000
As at 31 December 2022	
Assets as per consolidated statement of financial position	
Trade and other receivables excluding prepayments	226,801
Bank balances and cash	50,928
Pledged bank deposits	892
	278,621

	Other financial liabilities at amortised cost RMB'000
Liabilities as per consolidated statement of financial position	
Bank and other borrowings	126,824
Trade and other payables excluding non-financial liabilities	112,888
Lease liabilities	15,905
	255,617

32. OTHER CASH FLOW INFORMATION

(a) Reconciliation of profit (loss) before income tax to cash generated from operations:

	2023 RMB'000	2022 RMB'000
Profit (Loss) before income tax	**139,519**	(6,056)
Adjustments for:		
— Amortisation of intangible assets (note 15)	**7,625**	3,198
— Amortisation of deferred day-one loss	**–**	6,546
— Loss allowance on trade receivables (note 3(b)(ii))	**6,833**	92
— (Reversal of loss allowance) Loss allowance on other receivables (note 3(b)(ii))	**(1,800)**	1,800
— Loss on disposal of property, plant and equipment	**224**	–
— Write-down of inventories (note 18)	**6,972**	8,452
— Depreciation of property, plant and equipment (note 13)	**8,254**	3,950
— Depreciation of right-of-use assets (note 16)	**14,657**	4,258
— Interest income (note 9)	**(1,133)**	(230)
— Interest expenses (note 9)	**14,247**	14,414
— Fair value losses on financial assets at FVPL	**–**	12,139
— Fair value change in contingent consideration receivable (note 17(iii))	**(17,325)**	–
— Share based compensation expenses (note 24)	**83,713**	23,422
— Share of results of an associate (note 12)	**(7,074)**	(150)
— Gain on disposal of a subsidiary	**–**	(5,560)
	254,712	66,275
Changes in working capital:		
— Inventories	**(9,405)**	446
— Trade and other receivables	**(60,792)**	(90,596)
— Trade and other payables	**26,160**	28,138
Cash generated from operations	**210,675**	4,263

32. OTHER CASH FLOW INFORMATION *(continued)*

(b) Changes in liabilities arising from financing activities:

	Lease liabilities RMB'000 (note 16)	Bank and other borrowings RMB'000 (note 26)	Convertible bonds RMB'000	Total RMB'000
As at 1 January 2022	4,179	157,543	6,894	168,616
New leases	17,272	–	–	17,272
Cash flows:				
Repayment of lease liabilities	(3,877)	–	–	(3,877)
Proceeds from bank and other borrowings	–	48,640	–	48,640
Repayments of bank and other borrowings	–	(79,359)	–	(79,359)
	(3,877)	(30,719)	–	(34,596)
Exchange realignments	–	–	895	895
Other changes:				
Amortisation of deferred day-one loss	–	–	6,546	6,546
Interest expenses on convertible bonds	–	–	2,298	2,298
Conversion of convertible bonds	–	–	(16,633)	(16,633)
Disposal of a subsidiary	(1,669)	–	–	(1,669)
	(1,669)	–	(7,789)	(9,458)
As at 31 December 2022	15,905	126,824	–	142,729

32. OTHER CASH FLOW INFORMATION *(continued)*

(b) Changes in liabilities arising from financing activities: *(continued)*

	Lease liabilities RMB'000 (note 16)	Bank and other borrowings RMB'000 (note 26)	Total RMB'000
As at 1 January 2023	**15,905**	**126,824**	**142,729**
New leases	**29,686**	**–**	**29,686**
Cash flows:			
Repayment of lease liabilities	**(17,018)**	**–**	**(17,018)**
Proceeds from bank and other borrowings	**–**	**63,081**	**63,081**
Repayments of bank and other borrowings	**–**	**(55,328)**	**(55,328)**
	(17,018)	**7,753**	**(9,265)**
Exchange realignments	**4**	**(689)**	**(685)**
Other changes:			
Lease modification	**(2,010)**	**–**	**(2,010)**
	(2,010)	**–**	**(2,010)**
As at 31 December 2023	**26,567**	**133,888**	**160,455**

33. RELATED PARTY TRANSACTIONS

(a) Key management compensation

Key management includes directors. The compensation paid or payable to key management for employee services is shown as follows:

	2023 RMB'000	2022 RMB'000
Salaries, bonus and other allowances	**4,580**	4,046
Contributions to defined contribution plans	**303**	287
Share based payment expenses (notes 24 and 35)	**34,156**	–
	39,039	4,333

Note: These were connected/continuing connected transactions which are fully exempted under Rule 14A.95 of the Listing Rules.

(b) In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties:

Related parties relationship	Nature of transactions	2023 RMB'000	2022 RMB'000
A director	Interest expenses (notes (i) and (iv))	**534**	356
A related company/a shareholder	Interest expenses (notes (ii) and (iv))	**514**	430
Related companies	Service fee income (notes (iii) and (v))	**(2,065)**	–

Notes:

(i) The interest expenses were paid/payable to Mr. Lo.

(ii) The interest expenses were paid/payable to Cerulean.

(iii) Mr. Li Jun and Mr. Li Liang have direct/indirect beneficial interest in those related companies.

(iv) These were connected/continuing connected transactions which are fully exempted under Rule 14A.90 of the Listing Rules.

(v) These were connected/continuing connected transactions which are fully exempted under Rule 14A.76 of the Listing Rules.

34. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2023 RMB'000	2022 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		132,788	49,075
Due from subsidiaries	34(c)(i)	5,485	5,485
		138,273	54,560
Current assets			
Due from subsidiaries	34(c)(ii)	11,707	17,114
Other receivables		67	67
Cash and cash equivalents		988	212
		12,762	17,393
Total assets		151,035	71,953
Equity and liabilities			
Equity			
Share capital	23	11,363	10,667
Share premium	34(b)	330,273	330,273
Share award reserve	34(b)	106,300	23,422
Translation reserve	34(b)	(86)	(86)
Accumulated losses	34(b)	(299,120)	(294,109)
Total equity		148,730	70,167
Liabilities			
Current liabilities			
Trade and other payables		2,305	1,786
Total equity and liabilities		151,035	71,953

This statement of financial position was approved and authorised for issue by the Board of Directors on 26 March 2024 and signed on its behalf by

Li Jun	**Lo Chi Sum**
Chairman	*Executive director*

34. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(b) Reserve movements of the Company

	Share premium RMB'000	Share award reserve RMB'000	Convertible bonds equity reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000
Balance at 1 January 2022	281,110	–	34,364	(84)	(260,186)
Loss for the year	–	–	–	–	(33,923)
Other comprehensive loss:					
Items that may not be reclassified subsequently to profit or loss:					
Currency translation differences	–	–	–	(2)	–
Total comprehensive loss	–	–	–	(2)	(33,923)
Transaction with owners:					
Contributions and distribution					
Employee share award — value of employee services	–	23,422	–	–	–
Conversion of convertible bonds	49,163	–	(34,364)	–	–
	49,163	23,422	(34,364)	–	–
Balance as at 31 December 2022	330,273	23,422	–	(86)	(294,109)
Balance at 1 January 2023	**330,273**	**23,422**	**–**	**(86)**	**(294,109)**
Loss and other comprehensive loss for the year	**–**	**–**	**–**	**–**	**(5,011)**
Transaction with owners:					
Contributions and distribution					
Issuance of new shares for the Share Award Plan	**–**	**(835)**	**–**	**–**	**–**
Employee share award — value of employee services	**–**	**83,713**	**–**	**–**	**–**
	–	**82,878**	**–**	**–**	**–**
Balance as at 31 December 2023	**330,273**	**106,300**	**–**	**(86)**	**(299,120)**

(c) Due from subsidiaries

(i) The amounts due are unsecured, non-interest bearing and the settlement of which is neither planned nor likely to occur in the foreseeable future.

(ii) The amounts due are unsecured, non-interest bearing and repayable on demand.

35. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments paid or payable to the directors and chief executive of the Company by the Group during the year were as follows:

Year ended 31 December 2023

Name	Fees	Salaries, housing allowances, other allowances and benefits in kind	Discretionary bonus	Contribution to defined contribution plans	Share based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman and executive director						
Mr. Li Jun	–	1,094	–	–	–	1,094
Chief executive officer and executive director						
Mr. Lo Chi Sum	–	953	–	16	–	969
Executive director						
Mr. Li Liang	–	912	–	152	33,026	34,090
Ms. Zhao Hui Li	–	1,048	–	135	1,130	2,313
Independent non-executive directors						
Mr. Cui Xiao Bo	–	175	–	–	–	175
Mr. Ma Zhan Kai	–	191	–	–	–	191
Mr. Kong Hua Wei	–	16	–	–	–	16
Dr. Yu Guo Jie	–	191	–	–	–	191
	–	4,580	–	303	34,156	39,039

35. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

Year ended 31 December 2022

Name	Fees	Salaries, housing allowances, other allowances and benefits in kind	Discretionary bonus	Contribution to defined contribution plans	Share based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman, chief executive officer and executive director						
Mr. Lo Chi Sum	–	1,005	–	31	–	1,036
Executive directors						
Mr. Li Jinping	–	474	–	118	–	592
Mr. Li Jun	–	840	232	–	–	1,072
Ms. Zhao Hui Li	–	720	203	138	–	1,061
Mr. Li Liang	–	8	–	–	–	8
Independent non-executive directors						
Mr. Cui Xiao Bo	–	188	–	–	–	188
Mr. Ma Zhan Kai	–	188	–	–	–	188
Dr. Yu Guo Jie	–	188	–	–	–	188
	–	3,611	435	287	–	4,333

Mr. Lo Chi Sum was resigned as the chairman of the Board with effect from 19 June 2023.

Mr. Li Jun was appointed as the chairman of the Board with effect from 19 June 2023.

Mr. Cui Xiao Bo was resigned as independent non-executive director with effect from 1 December 2023.

Mr. Kong Hua Wei was appointed as independent non-executive director with effect from 1 December 2023.

Mr. Li Liang was appointed as executive director with effect from 28 December 2022.

Mr. Li Jinping was resigned as executive director with effect from 28 December 2022.

No emoluments were paid or payable by the Group to directors or past directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2023 and 2022.

35. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(b) Directors' material interests in transactions, arrangements or contracts

Saved as disclosed in note 33 to the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2022: Nil).

36. SUBSIDIARIES

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective equity interests held
Directly owned:				
Century Sage Scientific International Limited	BVI, limited liability company	Investment holding company, Hong Kong	10,000 ordinary shares of USD1 each	100%
Yijiang Information Technology Co., Limited	BVI, limited liability company	Investment holding company, Hong Kong	50,000 ordinary shares of USD1 each	100%
Indirectly owned:				
北京世紀睿科系統技術有限公司 (Beijing Century Sage Scientific System and Technology Company Limited*)	The PRC, limited liability company	TV broadcast application solutions industry, the PRC	Registered capital of RMB20,000,000	100%
時代華睿(北京)科技有限公司 (Times Sage (Beijing) Tech Company Limited*)	The PRC, limited liability company	TV broadcast application solutions industry, the PRC	Registered capital of RMB30,000,000	100%
Evertop Technology (Int'l) Limited	Hong Kong, limited liability company	TV broadcast application solutions industry, Hong Kong	2 ordinary shares of HKD2	100%
台灣世紀睿科有限公司 (Century Sage Scientific (Taiwan) Limited)	Taiwan, limited liability company	TV broadcast application solutions industry, Taiwan	TWD10,000	51%
北京格非科技股份有限公司 (Beijing Gefei Technology Co., Limited*) ("Beijing Gefei") (note (i))	The PRC, limited liability company	Development and production of core technology equipment systems for the production and processing of radio and television media, the PRC	Registered capital of RMB15,800,000	49%
交個朋友優選科技有限公司 (前稱：杭州世紀睿科信息技術有限公司) Be Friends Selected Technology Co., Ltd. (Formerly known as: Hangzhou Century Sage Information Technology Co., Ltd.*)	The PRC, limited liability company	Provision of new media service, the PRC	Registered capital of RMB50,000,000	100%

36. SUBSIDIARIES *(continued)*

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective equity interests held
Indirectly owned: *(continued)*				
杭州聚火互動文化傳播有限公司 (Hangzhou Juhuo Interactive Culture Communication Co., Ltd.*) ("Hangzhou Juhuo")	The PRC, limited liability company	Provision of new media service, the PRC	Registered capital of RMB10,000,000	52%
杭州交個朋友智慧科技有限公司 (Hangzhou Be Friends Wisdom Technology Co., Ltd.*)	The PRC, limited liability company	Provision of new media service, the PRC	Registered capital of RMB1,000,000	100%
杭州易匠未來智慧科技有限公司 (Hangzhou Yijiang Future Wisdom Technology Co., Ltd.*)	The PRC, limited liability company	Provision of new media service, the PRC	Registered capital of RMB1,000,000	100%
北京交個朋友數碼科技有限公司 (Beijing Be Friends Digital Technology Company Limited*)	The PRC, limited liability company	Provision of new media service, the PRC	Registered capital of RMB1,000,000	100% (2022: Nil)

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, materially contribute to the results of the Group or hold a material portion of the assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Unless stated otherwise, the percentage of equity interests held by the Company for the years ended 31 December 2023 and 2022 are the same.

None of the subsidiaries had issued any debt securities during the year.

* The official names are in Chinese and the English names are translated for identification purpose only.

Note:

(i) As mentioned in note 4.2(a), Beijing Gefei is classified as a subsidiary of the Group followed by execution of the Voting Rights Arrangement since 31 August 2020. The financial position and results of Beijing Gefei have been consolidated into the consolidated financial statements of the Group since 31 August 2020.

Financial information of subsidiaries with individually material non-controlling interests

Set out below are the summarised financial information for Beijing Gefei and Hangzhou Juhuo and its subsidiaries (collectively referred to as "Hangzhou Juhuo Group") of which non-controlling interests are material to the Group. The summarised financial information represents amounts before inter-company eliminations since acquisition.

36. SUBSIDIARIES *(continued)*

Financial information of subsidiaries with individually material non-controlling interests *(continued)*

Summarised statement of financial position

	Beijing Gefei	
	2023	2022
At 31 December		
Proportion of non-controlling interests' ownership interests	**51%**	51%

	2023 RMB'000	2022 RMB'000
Current assets	**90,485**	85,354
Current liabilities	**(85,085)**	(76,448)
Net current assets	**5,400**	8,906
Non-current assets	**311**	379
Net assets	**5,711**	9,285
Carrying amount of non-controlling interests	**2,912**	4,735

Summarised statement of profit or loss

	Beijing Gefei	
	2023 RMB'000	2022 RMB'000
Revenue	**35,412**	25,613
Loss before income tax	**(4,725)**	(13,065)
Income tax credit	**1,152**	–
Loss and total comprehensive loss	**(3,573)**	(13,065)
Loss attributable to non-controlling interests	**(1,823)**	(6,663)
Dividend paid to non-controlling interests	**–**	–

36. SUBSIDIARIES *(continued)*

Financial information of subsidiaries with individually material non-controlling interests *(continued)*

Summarised cash flows

	Beijing Gefei	
	2023 RMB'000	2022 RMB'000
Operating activities		
Cash used in operations	**(11,215)**	(6,921)
Income tax paid	**–**	–
Net cash used in operating activities	**(11,215)**	(6,921)
Net cash used in investing activities	**(12)**	(117)
Net cash from financing activities	**11,760**	6,805
Net increase (decrease) in cash and cash equivalents	**533**	(233)
Cash and cash equivalents at beginning of the year	**71**	304
Cash and cash equivalents at end of year	**604**	71

Summarised statement of financial position

	Hangzhou Juhuo Group	
	2023	2022
At 31 December		
Proportion of non-controlling interests' ownership interests	**48%**	48%

	2023 RMB'000	2022 RMB'000
Current assets	**30,560**	37,675
Current liabilities	**(4,194)**	(4,564)
Net current assets	**26,366**	33,111
Non-current assets	**150**	97
Net assets	**26,516**	33,208
Carrying amount of non-controlling interests (note)	**1,579**	4,900

Note: The Group had injected RMB13,000,000 and RMB10,000,000 during the period ended 31 December 2021 and year ended 31 December 2022 respectively, while non-controlling interests did not inject any additional capital. The non-controlling interests are not entitled to the excess contribution made by the Group in total of approximately RMB23,000,000 (2022: RMB23,000,000) in accordance with agreements entered into between the shareholders.

36. SUBSIDIARIES *(continued)*

Financial information of subsidiaries with individually material non-controlling interests *(continued)*

Summarised statement of profit or loss

	Hangzhou Juhuo Group	
	2023 RMB'000	2022 RMB'000
Revenue	**29,936**	38,881
Loss before income tax	**(6,920)**	(1,072)
Income tax credits	**–**	–
Loss and total comprehensive loss	**(6,920)**	(1,072)
Loss attributable to non-controlling interests	**(3,322)**	(515)
Dividend paid to non-controlling interests	**–**	–

Summarised cash flows

	Hangzhou Juhuo Group	
	2023 RMB'000	2022 RMB'000
Operating activities		
Cash used in operations	**(5,504)**	(8,622)
Income tax paid	**–**	–
Net cash used in operating activities	**(5,504)**	(8,622)
Net cash used in investing activities	**(100)**	(80)
Net cash from financing activities	**–**	10,000
Net (decrease) increase in cash and cash equivalents	**(5,604)**	1,298
Cash and cash equivalents at beginning of the year	**19,970**	18,672
Cash and cash equivalents at end of year	**14,366**	19,970

FIVE YEARS' FINANCIAL SUMMARY

A five years' financial summary of the results and of the assets and liabilities of the Group is set out below. This summary is extracted from the audited consolidated financial statements of respective years and does not form part of the audited consolidated financial statements.

	Year Ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Results					
Revenue	**1,074,335**	425,606	202,788	153,306	191,030
Cost of sales	**(507,425)**	(227,358)	(138,451)	(97,455)	(142,443)
Gross profit	**566,910**	198,248	64,337	55,851	48,587
Selling expenses	**(261,678)**	(70,860)	(10,929)	(10,922)	(19,925)
Administrative expenses	**(173,646)**	(107,847)	(76,172)	(68,072)	(78,168)
Loss allowance on trade receivables	**(6,833)**	(92)	(6,124)	(21,767)	(2,056)
Reversal of loss allowance (Loss allowance) on other receivables	**1,800**	(1,800)	–	–	–
Write-down of inventories	**(6,972)**	(8,452)	(4,006)	(11,487)	(30,828)
Change in fair value of contingent consideration receivable	**17,325**	–	(17,755)	–	–
Impairment loss on goodwill	**–**	–	(7,128)	(13,884)	–
Impairment loss on intangible assets	**–**	–	–	(5,249)	–
Impairment loss on interest in an associate	**–**	–	(1,800)	–	–
Other gains (losses), net	**8,875**	(3,813)	4,228	6,611	4,688
Operating profit (loss)	**145,781**	5,384	(55,349)	(68,919)	(77,702)
Finance costs, net	**(13,336)**	(11,590)	(16,247)	(14,624)	(16,993)
Share of results of associates	**7,074**	150	(638)	(16,115)	3,156
Profit (Loss) before income tax	**139,519**	(6,056)	(72,234)	(99,658)	(91,539)
Income tax (expense) credit	**(25,548)**	(10,335)	3,510	1,701	2,895
Profit (Loss) for the year	**113,971**	(16,391)	(68,724)	(97,957)	(88,644)
Earnings (Loss) Per Share (RMB cents per share)					
Basic earnings (loss) per share	**9.05**	(0.80)	(5.83)	(9.37)	(8.16)
Diluted earnings (loss) per share	**8.65**	(0.80)	(5.83)	(9.37)	(8.16)
Assets and Liabilities					
Total Assets	**754,587**	446,906	422,681	498,642	515,006
Total Liabilities	**452,877**	343,923	334,287	392,856	332,683
Total Equity	**301,710**	102,983	88,394	105,786	182,323