H.BROTHERS ENTERTAINMENT
華誼騰訊娛樂

ANNUAL REPORT 2022

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent Non-executive Directors

Dr. WONG Yau Kar, David, *GBS, JP*
Mr. YUEN Kin
Mr. CHU Yuguo

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. HAU Wai Man, Raymond

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

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CORPORATE COMMUNICATIONS

This annual report, in both English and Chinese versions, is available on the Company's website at www.huayitencent.com (the "Company Website") and the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

Registered Shareholders who have chosen (or are deemed to have consented) to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website, and who for any reason have difficulty in receiving or gaining access to the Corporate Communications posted on the Company Website will promptly upon request be sent the annual report in printed form free of charge.

Registered Shareholders may request for printed copy of the annual report and/or change their choice of language and means of receiving Corporate Communications by providing a reasonable prior notice in writing to the Company c/o the Hong Kong branch share registrar of the Company, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or by sending an e-mail to is-ecom@hk.tricorglobal.com.

I am pleased to present the annual results of Huayi Tencent Entertainment Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2022.

The PRC is facing a serious ageing population issue and there is a huge gap in the supply of quality healthcare services, resulting in the rapid emergence and development of the internet healthcare market. In recent years, the PRC has been introducing various policies to support the development of internet healthcare, and the market capacity has been on the rise. In addition, the COVID-19 epidemic has further accelerated the demand for internet healthcare services, including online consultation, pharmaceutical e-commerce, and online healthcare services, which are all receiving strong policy support and consumer attention, and the outlook for the whole industry is positive. According to an Ernst & Young market research report, the internet healthcare market in the PRC is expected to reach RMB162.6 billion by 2023, with a compound annual growth rate of 20% from 2020 to 2023.

The Group has seen the right opportunity to transform its business strategy to internet healthcare over the past two years, and the results are beginning to emerge. The two core businesses — "Echartnow", a platform for online prescription, circulation and marketing of pharmaceutical products, and "Meerkat Health", which focuses on smart healthcare services — are now largely in place and are gradually taking shape. During the year, the Group's revenue surged more than four times to HK$1.69 billion, mainly due to the revenue of HK$0.61 billion and HK$0.82 billion generated by "Echartnow" and "Meerkat Health" respectively, which have become the focus of the Group's business by contributing 85% of the Group's revenue in just over a year of operation.

The building of a digital China is an important engine for modernising the PRC in the digital age, and internet healthcare is a key development objective of the national healthcare reform. After two years of investment and development, the "Echartnow" and "Meerkat Health" platforms have been upgraded and expanded in scale and popularity.

"Echartnow" has successfully built an industry-wide healthcare services ecosystem covering pharmaceutical companies, retail pharmacies, doctors and patients, and has seen the opportunity for pharmaceutical companies to transform from offline drug promotion to online marketing by developing a digital marketing business. "Echartnow" has already reached in-depth cooperation with a number of leading pharmaceutical companies in the PRC, and is expected to further develop the SaaS business for pharmaceutical companies and their agents this year, as well as invest in the development of the online prescription circulation business in a timely manner in line with the pace of the national healthcare reform.

Since the launch of its business in late 2021, "Meerkat Health" has grown rapidly, successfully building an industry-leading smart supply chain for pharmaceutical and healthcare products and providing one-stop intelligent solutions for offline pharmacies. On the other hand, "Meerkat Health" focuses on the development of smart healthcare consumption and health management services, including appointment services for vaccination and digital intellectualised body check services. "Meerkat Health" has successfully entered into partnerships with a number of grade A tertiary hospitals, including Tianjin First Central Hospital, to jointly develop smart body checks and health management. With the adjustment of COVID-19 prevention and control measures to Class B, the speed and scale of cooperation with hospitals are expected to accelerate, making it another future growth spot of "Meerkat Health".

With the worldwide release of the last film project of the entertainment and media business, "Moonfall", in 2022, the Group's investment and operations in the entertainment and media business are essentially completed. The Group has confirmed that it will not invest in new films and television projects in order to focus its resources on the development of its internet healthcare business.

Looking ahead, the Group will continue to expand the scale of its two core businesses, "Echartnow" and "Meerkat Health". That includes building a comprehensive product system for "Echartnow" and shaping "Meerkat Health" into a "new entity enterprise" committed to the effective combination of industrial internet and consumer internet. Once the investment period is completed, we will enter into a fruitful period, achieving long-term stable development, maximising profits and bringing substantial returns to our shareholders.

May I also take this opportunity to, on behalf of the Board, express gratitude to the shareholders, investors and business partners for the trust and support all along, and to all our staff who had been performing their duties in an arduous year with diligence for bringing the Group to new heights.

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

Hong Kong, 29 March 2023

Since the Group launched its strategic plan of expanding into the areas of internet pharmaceutical and healthcare services in the PRC in 2021, it has actively engaged in upfront investment, such as acquiring "Echartnow", a platform for online prescription, circulation and marketing of pharmaceutical products, and forming a joint venture "Meerkat Health" together with the industry elites, focusing on smart healthcare services. In 2022, "Echartnow" and "Meerkat Health" have quickly become the Group's core businesses, and the overall layout is now largely complete, with its internet healthcare services business becoming well-established and successfully positioned to take the lead in the industry.

The healthcare services market of the PRC is huge, and its development is further accelerated by the ageing population, urbanisation and wealth growth. In particular, the new health services market, which combines value-based healthcare with digital healthcare, has been growing rapidly in recent years. According to an Ernst & Young market survey, the internet healthcare market has been growing rapidly in recent years, and with the COVID-19 epidemic, the demand for internet healthcare, including online medical consultation, pharmaceutical e-commerce and online payment, has increased rapidly. With strong policy support from the PRC, the outlook for the industry is positive. The report expects the internet healthcare market to reach RMB162.6 billion in 2023, with a compound annual growth rate of 20% from 2020 to 2023. This shows the huge growth potential of the industry. The Group has successfully grasped the opportunity of the rapid development of the industry, actively tied in with the national policies and flexibly adjusted its strategy to capture the market opportunities.

For the year ended 31 December 2022, the Group recorded a significant increase in total revenue of HK$1,692,061,000 (2021: HK$327,713,000), a sharp increase of more than four times compared to FY2021. "Echartnow" and "Meerkat Health" were the major sources of revenue of the Group, with revenues of HK$606,218,000 (2021: HK$36,150,000) and HK$824,209,000 (2021: HK$22,494,000) respectively, together accounting for approximately 85% (2021: 18%) of the total revenue. As mentioned in the Interim Report, through these two digitalised healthcare services platforms, the Group has successfully established its market coverage with regard to internet healthcare and enhanced its footprint in smart healthcare services, which remains a new market to be charted.

In addition, revenue from the Healthcare and Wellness Service "Bayhood No. 9 Club" remained stable at HK$110,670,000 (2021: HK$113,729,000), remaining at a similar level to FY2021. During the year, the business had to be suspended temporarily due to the impact of the epidemic in the PRC, but operations resumed quickly due to strong market demand.

As for the entertainment and media business, the last film project, "Moonfall", was released worldwide in 2022 and generated revenue of HK$150,964,000 (2021: HK$155,340,000), similar to that of FY2021. The Group is focusing on the internet healthcare services business, and has confirmed that it will not invest in new films and television projects. The Group is also actively seeking to sell or realise the Group's remaining film and television projects and investments, including its investment in HB Entertainment in South Korea.

Overall, losses of HK$316,598,000 (2021：HK$141,427,000) were recorded for the year, being an increase of approximately 1.2 times comparing to the loss for the prior year. The increase in loss for the year was mainly attributable to:

— The Media and Entertainment segment recorded a loss for the year of HK$122,882,000, being a significant increase comparing to the loss of HK$34,317,000 for the prior year. This is mainly due to the cost amortisation and impairment provision arising from that the box office receipts and other incomes of the Group's movie project distributed in 2022 could not recover the corresponding cost of investment. The Group is focusing on the internet healthcare services business, and has confirmed that it will not invest in new films and television drama projects. The Group is also actively seeking to sell or realise the Group's remaining film and television drama projects and investments, including its investment in HB Entertainment in South Korea.

— The Smart Healthcare Services Platform segment recorded a loss for the year of HK$86,337,000 (2021: HK$13,881,000). As the "Meerkat Health" operation only commenced in the fourth quarter of 2021, resources need to be invested in research and development, system build-up, infrastructure, obtaining of qualifications and credentials, etc. during the start-up phase in 2022, leading to a much significant loss amount. Following the gradual completion of the said infrastructure and credentials, and that "Meerkat Health" has built up business scale with revenue of over HK$800 million, the loss is expected to be narrowed down in the future.

BUSINESS REVIEW AND PROSPECTS

(1) "Echartnow", a platform for online prescription, circulation and marketing of pharmaceutical products

The "Digital Pharmaceutical Marketing Industry Report 2022" estimates that the national digital pharmaceutical marketing market will further increase in size to RMB40.3 billion in 2022, with a compound annual growth rate of 62.8% over the two-year period, and is expected to reach RMB111 billion and RMB356.8 billion in 2025 and 2030 respectively, with a compound annual growth rate of 33.9% from 2025 to 2030. In addition, the "Annual Report on China's Mobile Internet Development (2022)" released by the Research Institute of People Net in June 2022 stated that the national policy documents issued by the PRC in the past three years had established a new type of productivity of "Internet + Medicine" and have walked in the front of the world and taken a new path of independent innovation. It not only enhances the capability of standardised primary care through telemedicine, but also facilitates the use of digital information and communication technology to facilitate the public's access to medical treatment, in line with the national policy of healthcare reform.

Since the normalisation of epidemic prevention and control, the convenience of online medical consumption has created a demand for more levels and diversity of internet medical and healthcare services. As a scenario-based medical service platform, "Echartnow" offers different user terminals in the healthcare industry their own "digitised enterprise operation solutions" through advanced technologies such as the "private traffic" model, multi-channel cooperative network (MCN) of medical teams, AI intelligent scenario-based data analysis, data standardisation, blockchain and big data, and through different interfaces to connect doctors, patients, physical pharmacies and pharmaceutical companies.

In April 2021, the Group completed the Acquisition and Capital Increase of 51% equity interest in the Pingtan Xinban Clinic Company Limited ("PTXB", together with its subsidiaries, the "Target Group") at a consideration of RMB40,000,000. The Group has set up a mechanism for future revenue and profit targets to make further additional Cash Investment to the Target Group and to allot and issue Consideration Shares to the founding shareholders of the Target Group. On 12 July 2022, the parties entered into the third supplemental agreement to the Capital Increase and Acquisition Agreement (as supplemented by the Second Supplemental Agreement) (the "Third Supplemental Agreement') to make amendments in relation to the payment of the balance of the consideration of the Capital Increase. Considering the Target Group has achieved positive financial rest with revenue of RMB150,000,000 for the 12-month period after the completion of the Group's acquisition, and to provide incentives for the founding shareholders to diligently develop the Target Group's businesses further, which would in turn help to secure and promote the Group's commercial interest in the Target Group, the Group agreed to issue the First Consideration Shares equivalent to RMB11,000,000 to the founding shareholders in proportion to their shareholding in the Platform Co, and proceed with the capital increase to the Target Group equivalent to RMB39,000,000 by instalments according to actual circumstances. Before 30 June 2024, if the annual revenue of the Target Group reaches no less than RMB150,000,000 (among which the revenue generated from prescription circulation businesses shall be no less than RMB105,000,000) and the net profit of the Target Group reaches no less than RMB20,000,000 ('Revised First Performance Target"), the Group will proceed with the capital increase to the Target Group equivalent to RMB11,000,000. Before 30 June 2025, if the annual revenue of the Target Group reaches no less than RMB600,000,000 (among which the revenue generated from prescription circulation businesses shall be no less than RMB420,000,000) and the net profit of the Target Group reaches no less than RMB40,000,000 ('Revised Second Performance Target'), the Group will issue the Second Consideration Shares equivalent to RMB50,000,000 and the Third Consideration Shares equivalent to RMB43,000,000 to the founding shareholders in proportion to their shareholding in the Platform Co and will proceed with the capital increase to the Target Group equivalent to RMB10,000,000. For details, please refer to the Company's announcements dated 7 April 2021, 21 April 2021, 17 May 2021, 20 December 2021, 12 July 2022 and 20 July 2022.

Business Review

"Echartnow" platform dedicates itself to the establishment of an integrated healthcare platform which covers different user terminals in the industry and offers them different "digitised enterprise operation solutions":

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

As of 31 December 2022, the "Echartnow" platform and its related marketing network have already covered 37,523 doctors, all of whom have registered with their real names, uploaded qualifications and passed the authentication. The number of patients reached 472,967, including in-hospital patients who visited offline physical hospitals and out-of-hospital patients who were online customers or pharmacy referrals.

The Group has adopted the "pharmaceutical companies driving the whole industry chain" strategy. As of 31 December 2022, the number of pharmaceutical companies that have signed contracts with the "Echartnow" platform has sharply increased to 160, with a number of large pharmaceutical companies in the PRC, including Qilu Pharmaceutical, Jiangsu Hengrui Pharmaceuticals, CSPC Pharmaceutical Group etc. The number of pharmacies that have signed contracts and gone online reached 3,402, and the number of drugs listed increased to 191,564.

During the year, the total revenue of "Echartnow" amounted to HK$606,218,000 (2021: HK$36,150,000), with major revenue streams including:

1. *Online Drug Prescription and Circulation Service*

Online Drug Prescription and Circulation Service are an important part of the entire ecosystem of the "Echartnow" platform. Services offered by the "Echartnow" platform cover platform service, online diagnosis, referral, consultation and triage, medication management services, health management services, and sales sharing with pharmacy suppliers, etc. Doctors can issue electronic prescriptions through the "Lead Medical" (Internet Hospital) mobile application, which will be verified and distributed by licensed pharmacists from the pharmacies listed on the app. After the contracted retail terminal pharmacies approve and dispense the medicines, patients can pick up the medicines in person or pay online and have the medicines delivered straight to their door.

2. *Digitised Marketing Service*

In line with the national healthcare policy, "Echartnow" advanced its core business of digitised marketing around the TOB strategy in 2022, consisting of three main modules: digitalised marketing systems services, digitalised marketing operations services and digitalised pharmaceutical post-launch research services. "Echartnow" continues to focus on its business in the digital transformation of healthcare companies' full-life-cycle from R&D to marketing, from marketing to management. "Echartnow" constantly empowered its upstream and downstream partners in the healthcare value chain to achieve complementarity of strengths, thereby promoting the digital transformation of pharmaceutical companies and providing new growth momentum for pharmaceutical companies' core business growth.

In recent years, the marketing of drugs by pharmaceutical companies has gradually extended from offline (such as academic conferences) to online. "Echartnow" helps pharmaceutical companies and major pharmaceutical distribution companies to efficiently implement digital operations online, and at the same time, nurtures groups of doctors with high potential, quality and level of skill to update and iterate on digital concepts. The online marketing activities provided through the "Echartnow" platform include the push of professional articles, live broadcasts of academic conferences online, the production and promotion of academic short videos and training on product knowledge, etc. The "Echartnow" platform enables pharmaceutical companies to begin online medical research on the clinical effect of drugs legitimately and legally. Not only can such a move assist doctors in making strides in scientific knowledge, but it also fills the gap in research information relating to new functions of the drugs.

The "Echartnow" platform possesses comprehensive legitimate credentials, including "Internet Medical Treatment License and Full-function Licenses for Medicines/Medical Consumables", "Certificate of Grade III Protection of National Information System Security", and "Value-added Telecommunication Business Operation Permit". It can offer a complete set of services to pharmaceutical companies. Through the online drug prescription and circulation service rendered by the "Echartnow" platform, pharmaceutical companies can broaden their distribution channels for prescription drugs outside the hospitals and open up their access to doctors and professional pharmacies. On the other hand, by offering the aforementioned services to pharmaceutical companies or major channels of drug sales, the "Echartnow" platform can earn fees with respect to technical services, marketing, development of systems etc., and establish and maintain good relationships with pharmaceutical companies. At the same time, it can further broaden its bases of doctors and pharmacies with the participation of pharmaceutical companies and their sales teams.

In the business of the digital transformation of pharmaceutical companies, the Group will continue to strive to provide digital operational solutions for pharmaceutical companies across the entire development cycle through its online and offline synergistic development. On the one hand, it assists pharmaceutical companies in achieving efficient online marketing conversion and operational growth. On the other hand, it can enhance the terminal accessibility of pharmaceutical products, the timely accessibility of patients and the quality of life of patients. To achieve these goals, the Group will continue to invest in developing and delivering more solutions and improving the functions of existing solutions.

Prospects

As the leading client-side digital operation solution provider in the healthcare industry, "Echartnow" aims to be the pacesetter of digitised operation in the healthcare industry. The overall business philosophy is to continuously link all segments of the entire industry chain of the medical ecology to build a new digital business network for pharmaceutical enterprises from research and development to marketing and from marketing to management; at the same time, to provide more efficient working tools, learning platforms, medical research platforms, patient management platforms and graded diagnosis platforms for doctors' groups, thereby realising the aggregation of pharmaceutical enterprises and experts at the front end of the medical ecology and adding new impetus to the development of the industry; furthermore, to provide opportunities for the independent development of doctor-led C-terminal patient consultation and treatment, and to provide patients with more convenient consultation, medical treatment and drug purchase services.

In 2023, "Echartnow" will continue to develop the healthcare digitalisation industry, moving from the initial stage of enterprise digitalisation to the intermediate stage of enterprise digitalisation. From digitised operation solutions to digitised project management solutions, "Echartnow" will establish a digitised project operation management system and a private cloud database to realise the functional advantages of data visualisation, optimisation of operational decisions and optimisation of ROI in the management of pharmaceutical companies, and continue to provide digital operation solutions for pharmaceutical companies throughout the development cycle through online and offline integration.

Starting from the second half of 2022, "Echartnow" gradually began to lay the groundwork for its strategic plan in 2023, building a comprehensive product system to provide professional SaaS products to pharmaceutical companies on the basis of the existing medical services ecosystem. "Cistanche project management platform", a digitised management system product developed by "Echartnow", includes digitisation of business scenarios and efficient project management: linking planning and implementation, completing top-to-bottom planning, progress monitoring and bottom-to-top progress feedback, focusing on the ecology of medical enterprises and facilitating digital transformation. "Cistanche project management platform" will help pharmaceutical companies to transform through the supply, demand and ecological channels of digital transformation for compliance; increase the value of their original business by means of digitised compliance; and effectively help partner customers to reduce costs and increase efficiency, solve compliance pain points and accelerate digital transformation.

With the support of the national healthcare policies, the Group will continue to optimise the "Echartnow" whole-industry healthcare service ecosystem, including optimising the technology and service processes and creating more specialist services by connecting more top experts and offline terminal portals to cover a wider range of treatment areas and patients through platform services, online diagnosis, referral, consultation and triage, medication management services, health management services, and pharmacy vendor sales sharing etc. By integrating the healthcare services businesses and offline terminal healthcare resources with the "online-offline dual network" model, a closed-loop of internet healthcare services will be created.

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

The "14th Five-Year Plan for the Development of the Digital Economy" emphasises the value of "internet healthcare" to the digital economy and prioritising its development. The Plan clearly states that the application of universal health information should be promoted, and the construction of internet hospitals and "Internet + Chronic Disease" management should be facilitated. In the context of the COVID-19 epidemic and ageing, digitalised healthcare services, represented by the "Internet + Healthcare Services", are playing an increasingly important role. As of January 2023, more than 20 provinces, including Guangdong, Hunan, Zhejiang and Ningxia, have set up internet hospital portals to connect with their medical insurance systems and provide more convenient healthcare services to urban and rural residents. In line with national policies and market demand, the Group has developed the smart healthcare services business segment through "Meerkat Health".

Business Review

2022 was a year of both opportunities and challenges for "Meerkat Health". Launched in the second half of 2021, the vision of "Meerkat Health" is to build a leading C2M innovative healthcare services platform in the PRC. For the consumers, the platform is focused on user needs to establish a one-stop online and offline healthcare services platform which saves them from "worrying about serious illnesses and going to the hospital for minor discomfort" and allows them "to be taken care of by the health experts". For the industry, the platform utilises digital technologies as its drive to provide innovative upgrade solutions for medical institutions and companies of pharmaceutical, medical equipment and health products, effectively enhancing the efficiency of the entire supply chain, and driving upstream and downstream enterprises in the industry chain to transform towards informatisation, digitisation and intellectualisation.

"Meerkat Health" has seized the opportunity of the times and made significant breakthroughs in its key business. During the year, "Meerkat Health" achieved revenue of HK$824,209,000 (2021: HK$22,494,000). For healthcare consumption, the number of pharmacy customers covered grew from 45,000 in the second quarter to 77,000 by the end of 2022, being a growth rate of over 70%. For medical services, the vaccination business grew 229.31% in the second half of the year compared to the first half's Gross Merchandise Value (GMV), with service coverage expanding from 43 cities in the second quarter to 78 cities in the fourth quarter.

1. *Healthcare consumption*

In the healthcare consumption business, "Meerkat Health" has built an industry-leading smart supply chain system, covering omnichannel drugs, medical equipment, dietary supplements, nourishing products and other health-related products, and providing offline self-run and franchised pharmacies with a digital intellectualised and one-stop omnichannel solution. During the year, the healthcare consumption business generated revenue of HK$807,511,000 (2021: HK$22,457,000).

As of 31 December 2022, "Meerkat Health" has entered into partnerships with nearly 1,400 brands, including listed companies like Sinopharm Group, Guilin Sanjin and Mayinglong Pharmaceutical, covering nearly 10,000 product categories such as OTC, prescribed drugs, medical equipment, dietary supplement etc., and serving 77,000 customers cumulatively.

With the smart supply chain system, "Meerkat Health" plans to work with industry partners to develop a "new controlled sales" model for the third terminal of pharmaceuticals and build its own controlled sales channels for drugs and healthcare products, and has already reached cooperation intentions with several pharmaceutical companies. Under the "new controlled sales" model, "Meerkat Health" will build a new branding system and an internet-based distribution network to reduce costs and increase profits. The project is now steadily progressing and is expected to bring new business growth sources to the Group.

2. *Medical services*

The core business of "Meerkat Health" medical services is the online appointment services for vaccination. With family and preventive medicine as the core, "Meerkat Health" builds a science knowledge and consultation service platform for vaccination, provides diversified health screening, preventive vaccination and antibodies testing products, constructs an online and offline integrated online vaccination appointment service, and provides early screening and preventive healthcare services for its wide range of users.

The medical services business of "Meerkat Health" continued its rapid growth trend in the second half of 2022 and achieved a breakthrough in channel building. In the second half of 2022, "Meng Xiao Mei", a self-operated platform built by "Meerkat Health", accumulated over 500,000 users in the first six months of its launch. In terms of e-commerce channels, "Meerkat Health" has opened direct shops in JD, Tmall and other e-commerce channels, and has been able to achieve sales revenue immediately. Benefiting from the above channels, the GMV of the "Meerkat Health" online appointment services for vaccination in the second half of 2022 grew by more than two times compared to the first half. As of 31 December 2022, the relevant business has covered 78 cities in the PRC, including all of the first-tier cities of Beijing, Shanghai, Guangzhou and Shenzhen and some second-tier cities. Including the above-mentioned online appointment services for vaccination and other services such as health check appointment, etc., the medical services business of "Meerkat Health" achieved revenue of HK$16,038,000 (2021: HK$37,000).

"Meerkat Health" has developed a full set of C2M healthcare RPA service platform, which can help medical institutions to conduct bulk automated follow-up visits to patients who meet the precise criteria in a more intelligent and efficient manner, increasing the coverage of follow-up patients, reducing the labour cost of follow-up visits and improving the patient experience. According to the data of the pilot organisation, the satisfaction rate of customer service has increased from 40% to 80% after the application of the RPA system. At the same time, the system also supports the construction of intelligent hospital services and the collection of clinical research data, laying the foundation for the subsequent development of research work.

3. *Healthcare management*

The healthcare management business of "Meerkat Health" was transformed in the third quarter of 2022. The business pathway is to contract offline medical institutions to transform and upgrade their body check centres into digital intellectualised health management centres and provide aftercare health management services to users. The "Meerkat Health" digital intellectualised body check services cover 33 hospitals in 19 cities, including grade A tertiary hospitals like Tianjin First Central Hospital, Zhejiang Hospital, Zhejiang Cancer Hospital, Zhejiang Women's Health Care Hospital etc., with steady progress in the business implementation.

"Meerkat Health" has strong product competitiveness in the field of digital intellectualised body check services. It has built the first digital all-in-one system in the PRC, MK Digital OS, which includes Tianshu (a smart management portal system), Tianxuan (a smart health management CRM system), Tianji (a smart guiding inspection system), and Tianhe (a body check OS system), providing one-stop services for health management centres of medical institutions. It also collaborates with health management centres on digitalisation to improve service efficiency, upgrade service capabilities and enhance user satisfaction.

Due to the impact of the COVID-19 epidemic, a large number of offline medical institutions suspended their body check services in the second half of the year, resulting in delay of our service provision. Therefore, only a small amount of revenue equivalent to HK$660,000 (2021: nil) was realised during the year. With the adjustment of COVID-19 prevention and control measures from Class A to Class B, the healthcare management business of "Meerkat Health" is expected to gradually return to the right track in 2023.

Prospects

The COVID-19 epidemic, which has been ongoing for over three years, has had a global impact. As people become more aware of healthcare and seek more efficient and convenient solutions, internet hospitals have become the "new breed" of hospitals developing at an accelerated pace everywhere.

The "Digital Pharmaceutical Marketing Industry Report 2022" shows that since "Internet + Medicine" was incorporated into the policies, the rate at which hospitals around the country are setting up internet clinics and internet hospitals has grown rapidly. At the end of 2021, more than 1,700 internet hospitals nationwide received their official licenses to practice, and more than 94% of the approximately 13,000 level 2 and above medical institutions started their telemedicine business, and in some provinces, the telemedicine system is being used in the community and rural health centres, and in a few areas, in village health stations and even homes. More than 1,700 registered internet hospitals are using smartphone terminals to provide services such as follow-up care or chronic disease management directly to patients.

"Meerkat Health" is building a leading C2M innovative smart healthcare services platform in the PRC. Through technological innovation, it has acquired core digital capabilities to effectively improve the efficiency of the entire supply chain, and bring upstream and downstream enterprises along the supply chain to realise digital transformation and network-based, intelligent development, establishing a "new entity enterprise" committed to the effective combination of industrial internet and consumer internet.

In the future, "Meerkat Health" will rely on its own and its partners' talent pools, medical resources and brand advantages to further enhance its industry competitiveness and expand its market scale, continuing forward-looking deployment in the three major businesses of healthcare consumption, medical services and healthcare management. In particular, the healthcare consumption business will work with a number of leading companies in the industry to promote a "new controlled sales" model for the third terminal of pharmaceuticals. Medical services are expected to continue to grow at a high rate in 2023, and will further develop the market of online appointment services for vaccination in first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen, as well as further penetrate into second- and third-tier cities. The healthcare management business will enter into a strategic partnership with leading internet companies to jointly build a public hospital service system, and it is expected that the digital intellectualised body check services will enter a period of explosive growth.

In addition, "Meerkat Health" has obtained an internet hospital licence in the third quarter of 2022. The project of building an internet hospital with medical institutions such as Tianjin First Central Hospital is now progressing steadily and will gradually implement various capabilities in the future to provide more convenient and quality medical services to the general public.

(3) Entertainment and Media

During the year, the Group's only film project, "Moonfall", was released. The film was screened on 4 February 2022 in the US and most countries or regions across the globe. It has also been in theatres in the PRC since 25 March 2022. The film was directed by Roland Emmerich (the director of a number of disaster blockbusters such as "2012", "The Day After Tomorrow" and "Independence Day" series, who is hailed as the "master of disaster movies"), with Halle Berry, winner of the Academy Award for Best Actress, and Patrick Wilson taking the leading roles. It tells the story where a mysterious force ejects the moon from orbit and propels it on a collision course toward Earth, and the gravitational imbalance sends Earth into chaos. Amidst desperation, a seemingly disorganised squad decides to fight the final battle in order to protect Earth and humankind.

According to Box Office Mojo, the film grossed the equivalent of nearly US$67.3 million worldwide. The PRC's box office revenue grossed approximately RMB158 million (according to the statistics by Maoyan), ranking 5th among imported films in the first half of 2022.

During the year, the revenue from the "Entertainment and Media" segment amounted to HK$150,964,000 (2021: HK$155,340,000), similar to that of the prior year, with a segment loss of HK$122,882,000 (2021: HK$34,317,000), mainly due to the cost amortisation and impairment provision arising from that the box office receipts and other incomes of the Group's movie project distributed in 2022 could not recover the corresponding cost of investment.

The Group is focusing on the internet healthcare services business, and has confirmed that it will not invest in new films and television projects. The Group is also actively seeking to sell or realise the Group's remaining film and television projects and investments, including its investment in HB Entertainment in South Korea.

(4) Healthcare and Wellness Services — "Bayhood No. 9 Club"

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

During the year, the business of "Bayhood No. 9 Club" was affected by the epidemic in Beijing and had to temporarily suspend its operations. However, due to the strong market demand, operations of "Bayhood No. 9 Club" have quickly returned to normal upon service resumption. During the year, the revenue of "Bayhood No. 9 Club" remained stable at HK$110,670,000 (2021: HK$113,729,000), remaining at a similar level to the prior year.

ENVIRONMENTAL & SOCIAL RESPONSIBILITIES

(a) Environmental responsibilities

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

(b) Social responsibilities

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

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

The Group is committed to providing customers with a satisfactory experience through the delivery of premium health and wellness services. The Group attaches great importance to requests and suggestions made by its customers, we have therefore set up a number of channels, including group chats on WeChat and customer hotlines, so as to collect and follow up on customer feedback in a timely manner, with a view to ensuring that their requests are properly addressed. The Group conducts thorough investigation and analysis at the early stage of its media investment, and it has also established a Greenlight Committee responsible for reviewing investment projects. By considering audience preference, industry policies and other objective factors, the Group evaluates films' profitability and compliance to the laws and regulations to determine whether to invest, and strives to present high-quality and positive film and television works to the public.

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

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

As a responsible corporate citizen, the Group keeps close communication with all of its stakeholders, so as to maintain collaborative relations based on mutual benefit and trust, to stay updated on demands and expectations of relevant stakeholders, and to keep improving its mechanism for stakeholder engagement, aiming to deliver synergistic growths in social and economic benefits. As a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group strictly complies with the disclosure requirements of the Stock Exchange. As one of the platforms that we use to communicate with the stakeholders, the ESG report for the year are set out on pages 19 to 32 of this Annual Report, will deliver a comprehensive view on what the Group has accomplished in the establishment of ESG systems, as well as its performance during 2022.

FINANCIAL REVIEW

As discussed in the "Business Review and Prospects" section above, the Group is organised into the following main operating segments:

1. Online prescription, circulation and marketing of pharmaceutical products ("Echartnow")
2. Smart healthcare services platform ("Meerkat Health")
3. Entertainment and Media
4. Healthcare and Wellness Services

The key financial figures of the Group for the year ended 31 December 2022 are summarized as follows:

	2022 HK$'000	2021 HK$'000	Change %
Total revenue:			
– Online prescription, circulation and marketing of pharmaceutical products	**606,218**	36,150	+16 times
– Smart healthcare services platform	**824,209**	22,494	+36 times
– Entertainment and media	**150,964**	155,340	–3%
– Healthcare and wellness services	**110,670**	113,729	–3%
	1,692,061	327,713	+4.2 times
Gross profit/(loss):			
– Online prescription, circulation and marketing of pharmaceutical products	**335,657**	14,637	+22 times
– Smart healthcare services platform	**16,282**	(343)	N/A
– Entertainment and media	**1,107**	(19,725)	N/A
– Healthcare and wellness services	**43,603**	47,332	–8%
	396,649	41,901	+8.5 times
Segment result:			
– Online prescription, circulation and marketing of pharmaceutical products	**(57,809)**	(57,261)	+1%
– Smart healthcare services platform	**(86,337)**	(13,881)	+522%
– Entertainment and media	**(122,882)**	(34,317)	+258%
– Healthcare and wellness services	**1,374**	(1,019)	N/A
	(265,654)	(106,478)	+149%
Loss for the year	**(316,598)**	(141,427)	+124%
Loss for the year attributable to equity owners of the Company	**(269,980)**	(110,402)	+145%
Non-HKFRS Adjustments:			
Adjusted loss for the year	**(295,619)**	(114,335)	+159%

— **Revenue**

Revenue for the year ended 31 December 2022 amounted to approximately HK$1,692,061,000 (2021: HK$327,713,000), being a substantial 4.2 times increase comparing to the prior year. The significant boost in revenue during the year was mainly due to the following factors:

1) Revenue from the "Echartnow" platform for the year boosted significantly by 16 times to approximately HK$606,218,000 (2021: HK$36,150,000). The digitized marketing services offered to pharmaceutical companies by "Echartnow" is a proven success business model during the year. The number of pharmaceutical companies that have signed contracts with the "Echartnow" platform has sharply increased to 160, with a number of large pharmaceutical companies in the PRC including Qilu Pharmaceutical, Jiangsu Hengrui Pharmaceuticals, CSPC Pharmaceutical Group etc; and

2) Revenue from "Meerkat Health" for the year boosted significantly by 36 times to approximately HK$824,209,000 (2021: HK$22,494,000). The strong rise in revenue was mainly driven by i) full year revenue was recorded in 2022 while in 2021 "Meerkat Health" only generated revenue since December 2021; ii) revenue from healthcare consumption increased to approximately HK$ 807,511,000 (2021: HK$22,457,000). "Meerkat Health" has entered into partnerships with nearly 1,400 brands, including listed companies like Sinopharm Group, Guilin Sanjin and Mayinglong Pharmaceutical, covering nearly 10,000 product categories including OTC, prescribed drugs, medical equipment, dietary supplement etc., and serving 77,000 customers cumulatively; iii) revenue from medical services, currently the core business of which is the online appointment services for vaccination, increased to approximately HK$16,038,000 (2021: HK$37,000).

— **Cost of Sales and Gross Profit**

Cost of sales for the year ended 31 December 2022 amounted to approximately HK$1,295,412,000 (2021: HK$285,812,000), being a 3.5 times increase comparing to the prior year. Gross profit for the year ended 31 December 2022 amounted to approximately HK$396,649,000 (2021: HK$41,901,000), being a 8.5 times increase comparing to the prior year, with gross profit margin increased to 23% (2021: 13%). With the much sizeable scale of operations of "Echartnow" and "Meerkat Health and the increase in proportion of high-margin business lines such as medical services, the year-to-year percentage increase in cost of sales is less than that of revenue, leading to improvement in overall gross profit margin.

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

Other income and other (losses)/gains, net, for the year ended 31 December 2022 amounted to a net loss of approximately HK$8,553,000 (2021: a net gain of HK$15,388,000). The change from a net gain to a net loss was because 1) a share of subsidies for movie production of approximately HK$10,645,000 was recognized in the prior year following the movie release during that year; and 2) instead of an exchange gain (mainly arising from the appreciation of RMB against HK dollars) of approximately HK$2,003,000, there is an exchange loss (mainly arising from the depreciation of RMB against HK dollars) of approximately HK$8,639,000 during year ended 31 December 2022.

— Marketing and Selling Expenses

Marketing and selling expenses for the year ended 31 December 2022 amounted to approximately HK$499,453,000 (2021: HK$50,670,000), being a 8.9-time increase comparing to the prior year. The significant increase in marketing and selling expenses was mainly attributed to:

(i) staff costs and marketing expenses incurred for the promotion of "Echartnow" platform for online prescription, circulation and marketing of pharmaceutical products, and the relevant expenses incurred for enhancing the registration of doctors and pharmacies in the "Echartnow" platform increased significantly to approximately HK$334,317,000 (2021: HK$15,626,000). Through such heavy investment in marketing and selling expenses, "Echartnow" platform and its related marketing network have already covered approximately 37,000 doctors, all of which have registered with their real names, uploaded qualifications and passed the authentication. The number of pharmacies that have signed contracts and gone online reached approximately 3,400 and the number of drugs listed increased to approximately 190,000 as at 31 December 2022; and

(ii) the Group's share of marketing expenses, promotion & advertising expenses, and distribution fees for movies released during the year increased to approximately HK$107,816,000 (2021: HK$17,038,000). The selling and marketing expenses incurred during the year is mainly for the theatrical release of Hollywood tentpole movie "Moonfall", while in prior year a few movie projects were released through streaming platforms, which in turn would be responsible for the incurrence of marketing campaign expenditures.

— Research and Development Expenses

Research and development expenses for the year ended 31 December 2022 amounted to approximately HK$35,751,000 (2021: HK$3,146,000). The amount mainly comprised staff costs and employee benefit expenses in relation to research and development function. The significant increase in the research and development expenses for the year was due to the continued expansion of "Echartnow" and "Meerkat Health" during the year.

— Administrative Expenses

Administrative expenses for the year ended 31 December 2022 amounted to approximately HK$152,301,000 (2021: HK$136,230,000), being a 12% increase comparing to the prior year. The increase in administrative expenses during the year was mainly due to the continued expansion of "Echartnow" and "Meerkat Health" during the year.

— Share of Results of an Associate

Share of results of an associate, representing the share of results of HB Entertainment (the Group's 31%-owned associated company which is principally engaged in production of and investment in movies and TV drama series, provision of artist management and agency services in South Korea), amounted to a loss of approximately HK$4,817,000 (2021: a loss of approximately HK$4,933,000). There was no new TV drama being produced by HB Entertainment in 2022 and 2021 due to the impact of unstable COVID-19 outbreak in South Korea, leading to a decline in its financial performance during these years. HB Entertainment currently has two TV drama projects in post-production stage and are expected to be released in 2023.

— Finance Costs, net

Finance costs, net for the year ended 31 December 2022 amounted to approximately HK$1,768,000 (2021: HK$2,280,000). The net finance costs during the year mainly comprised interest on lease liabilities in relation to the Group's right-of-use assets and interest expense for bank and other borrowings. The decrease in net finance costs during the year was mainly attributable to the decrease in interest on lease liabilities along the execution of the existing lease arrangements.

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

The Group's loss for the year ended 31 December 2022 amounted to HK$316,598,000 compared that of HK$141,427,000 for the preceding financial year. The Group's adjusted loss for the year ended 31 December 2022 amounted to HK$295,619,000, representing an increase of HK$181,284,000 or 159% as compared with that of HK$114,335,000 for the preceding financial year. Adjusted loss is based on the loss for the corresponding year after excluding non-operating profit or loss items such as share-based compensation expenses and change in fair value of financial assets/interest in an associate at fair value through profit or loss. The increase in adjusted loss was mainly attributable to:

(1) The segment loss of Media and Entertainment segment for the year amounted to approximately HK$122,882,000, being a significant increase comparing to the segment loss of approximately HK$34,317,000 for the prior year. This is mainly due to the cost amortization and impairment provision arising from that the box office receipts and other incomes of the Group's movie project distributed in 2022 could not recover the corresponding cost of investment. The Group is focusing on the internet healthcare services business, and has confirmed that it will not invest in new films and television drama projects; and

(2) The segment loss of Meerkat Health segment for the year amounted to approximately HK$86,337,000 (2021: HK$13,881,000). As the Meerkat Health operation only commenced in the fourth quarter of 2021, resources need to be invested in research and development, system build-up, infrastructure, obtaining of qualifications and credentials, etc. during the start-up phase in 2022, leading to a much significant loss amount.

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

The adjusted loss for the years ended 31 December 2022 and 2021 set out in the table below represents adjustments to the most direct and comparable financial indicator calculated and presented in accordance with HKFRSs (i.e. loss for the year):

	2022 HK$'000	2021 HK$'000
Loss for the year	**(316,598)**	(141,427)
Add:		
– Shared-based compensation expenses	**17,541**	29,013
– Fair value loss/(gain) on financial assets at fair value through profit or loss, net of tax	**4,567**	(1,921)
– Fair value gain on interest in an associate measured at fair value through profit or loss	**(1,129)**	–
Adjusted loss for the year	**(295,619)**	(114,335)

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Treasury Management

We have adopted treasury management measures aimed at principal protection and maintaining sufficient liquidity to meet our various funding requirements in accordance with the strategic plans and policies. As at 31 December 2022, the Group held cash and cash equivalents of approximately HK$38,300,000 (2021: HK$148,552,000), being a 74% decrease comparing to the balance as at 31 December 2021. Additional financial resources have been invested in the Group's core internet healthcare business, leading to a drop in cash and cash equivalent balances during the year.

The Group is at net current asset position of HK$16,637,000 as at 31 December 2022 (2021: HK$185,553,000). The current ratio, representing the total current assets to the total current liabilities, decreased from 1.77 as at 31 December 2021 to 1.07 as at 31 December 2022, still representing a stable liquidity position.

The gearing ratio, representing the net debt (total borrowings and lease liabilities less cash and cash equivalents) to total equity, is 5.45% as at 31 December 2022 (31 December 2021: Nil). The Group's total bank and other borrowings as at 31 December 2022 amounted to approximately HK$32,740,000 (31 December 2021: Nil) and was denominated in Chinese Renminbi.

Foreign Currency Exchange Exposure

The Group has operations and investments in the PRC, Korea, the USA and Hong Kong, and is mainly exposed to foreign exchange risk arising from Chinese Renminbi and Korean Won currency exposures, primarily with respect to the Hong Kong dollars. During the current year, revaluation of Chinese Renminbi and Korean Won against Hong Kong dollars resulted in net exchange loss of approximately HK$8,639,000 (2021: exchange gain of HK$2,003,000). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure from Chinese Renminbi and Korean Won but manages through constant monitoring to limit as much as possible its net exposures.

Capital Structure

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

During the year ended 31 December 2022, the Company has issued 62,500,000 (2021: Nil) and 24,732,000 (2021: Nil) new ordinary shares of HK$0.02 each for vesting of share awards and settlement of consideration shares for acquisition of subsidiaries, respectively.

Total bank and other borrowings as at 31 December 2022 amounted to approximately HK$32,740,000 (2021: Nil). All of these bank and other borrowings were current. Except for the bank borrowing which was secured by corporate guarantee provided by a state-owned entity and personal guarantee of a senior management in favour of the Group, the other borrowings were unsecured.

CHARGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2022 and 2021, none of the Group's assets was charged, and the Group did not have any material contingent liabilities or guarantees.

HUMAN RESOURCES

As at 31 December 2022, the Group employed a total of 306 (2021: 260) full-time employees in Hong Kong and the PRC, and continued to manage "Bayhood No. 9 Club" operations with 263 (2021: 279) full-time employees in the PRC. The significant increase in the Group's number of full-time employees was mainly attributed to the newly acquired/developed internet healthcare related businesses. In addition, the Group has entered into several joint operation arrangements to produce or distribute films. The crew members employed under such joint operation arrangements have not been included in the above statistics.

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

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

There was no significant investments, material acquisitors and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022. For details of the third supplemental agreement to the Capital Increase and Acquisition Agreement regarding Pingtan Xinban Clinic Company Limited entered into during the year, please refer to note 33 to the consolidated financial statements.

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") is committed to achieving high standards of corporate governance and adherence to the governance principles and practices. The Board or its delegated Board Committees has regularly reviewed and monitored its implementation and effectiveness. Throughout the year ended 31 December 2022, the Company has applied the principles and complied with the code provisions in Part 2 of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules on the Stock Exchange with the exception of the following deviation:

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the resignation of the Chairman, no replacement for the post of the Chairman has been appointed. The functions of the Chairman have been temporarily taken up by the chief executive officer of the Company (the "CEO").

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

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

BOARD OF DIRECTORS

As at the date of this report, the Board comprises five directors ("Directors") whose biographical details, as well as the relationship amongst them (if any), are set out on page 33 of this Annual Report.

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

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

Directors play an active role in participating in the Company's meetings. The composition of the Board as at the date of this report and their attendance at the Company's meetings during year 2022 are as follows:

		Meetings		Committee Meetings			
Directors	**Director Categories**	**Board**	**General**	**Audit**	**Remuneration**	**Corporate Governance**	**Nomination**
Mr. CHENG Wu	Vice Chairman and Executive Director	6/6	2/2	–	–	–	–
Mr. YUEN Hoi Po	Executive Director and Chief Executive Officer	6/6	2/2	–	member 2/2	chairman 2/2	–
Dr. WONG Yau Kar, David	Independent Non-executive Director	6/6	2/2	member 3/3	chairman 2/2	–	member 2/2
Mr. YUEN Kin	Independent Non-executive Director	6/6	2/2	chairman 3/3	member 2/2	member 2/2	–
Mr. CHU Yuguo	Independent Non-executive Director	6/6	2/2	member 3/3	–	member 2/2	chairman 2/2
Total number of meetings held		6	2	3	2	2	2

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

BOARD COMMITTEES

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

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

Strategy Committee

The Strategy Committee is mainly responsible for formulating the Group's business strategy. As at the date of this report, the Strategy Committee comprises two Executive Directors, namely, Mr. YUEN Hoi Po (chairman) and Mr. CHENG Wu.

Executive Committee

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

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

During the year, one meeting was held by the Executive Committee to approve the publication of the announcement about the change of address of the Company's Hong Kong branch share registrar and transfer office.

Corporate Governance Committee

As at the date of this report, the Corporate Governance Committee comprises three members, including one Executive Director, namely Mr. YUEN Hoi Po (chairman) and two Independent Non-executive Directors, namely Mr. YUEN Kin and Mr. CHU Yuguo.

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

During the year, two meetings were held by the Corporate Governance Committee to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, to review and monitor the training and continuous professional development of Directors and senior management, to review the Company's Shareholder Communication Policy and considered that the policy has been properly implemented and is effective, to review the code of conduct applicable to employees of the Company, to review whether the Directors have spent sufficient time to perform the director's duties, and to determine the share award pool.

Nomination Committee

As at the date of this report, the Nomination Committee comprises two members, including two Independent Non-executive Directors, namely Mr. CHU Yuguo (chairman) and Dr. WONG Yau Kar, David.

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

During the year, two meetings were held by the Nomination Committee to conduct the annual review of the structure, size and composition of the Board; to assess independence of Independent Non-executive Directors; to recommend the Board's rotation schedule for 2022 annual general meeting; to review the Board Diversity Policy and to establish board independence mechanism.

Remuneration Committee

The Remuneration Committee comprises three members, including two Independent Non-executive Directors, namely Dr. WONG Yau Kar, David (chairman) and Mr. YUEN Kin and one Executive Director, namely Mr. YUEN Hoi Po.

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

During the year, two meetings were held by the Remuneration Committee to determine remuneration package and discretionary bonus for senior management, and to make recommendation on the grant of share award to the Corporate Governance Committee.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. YUEN Kin (chairman), Dr. WONG Yau Kar, David and Mr. CHU Yuguo.

The Audit Committee is mainly responsible for the following:

1. Making recommendation to the Board on the appointment, reappointment, and removal of the external auditor, and to approve the terms of engagement of the external auditor;
2. Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
3. Monitoring the integrity of the Company's financial statements and annual report and accounts, interim report and reviewing significant financial reporting judgments contained in them;
4. Monitoring the Company's financial reporting system, risk management and internal control systems; assisting the Board in reviewing the effectiveness of the Company's risk management and internal control systems;
5. Reviewing and monitoring the continuing connected transactions of the Group;
6. Reviewing the whistleblowing policy and system for Directors, senior management and all employees of the Group and third parties (i.e. those who deal with the Group such as customers, agents, contractors and suppliers) to raise concerns about possible improprieties in financial reporting, internal control or other matters anonymously and to ensure

proper arrangements are in place for fair and independent investigation of those matters and for appropriate follow up action; and

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

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

BOARD NOMINATION POLICY

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

BOARD DIVERSITY POLICY

The Group adopted a Board Diversity Policy aims to set out the approach to achieve diversity on the Board. In designing the Board's composition, the Board takes into consideration a number of measurable factors, including but not limited to gender, age, cultural and educational background, or professional experience in order to attract and maintain a Board with an appropriate mix of skills, experience and expertise. The Nomination Committee has reviewed the Board's composition according to such criteria, and has monitored the implementation of the Board Diversity Policy annually.

The Board understood that gender diversity is an issue of particular importance to many stakeholders and enable the Board to better understand their diverse customers' and stakeholders' needs and are positively associated with the Company's financial performance, more effective board decision making and better risk management. In order to achieve gender diversity on the Board level, the Company will appoint at least one female Director as soon as possible, but not later than 31 December 2024.

As at 31 December 2022, all Board members are males and the senior management of the Group (refers to the same persons as set out in the Report on page 34) comprised four males and two females; and the ratio of male to female in the workforce (including senior management) was 1.12:1. For details gender diversity across the workforce by employees categories, please refer to the ESG Report on page 24.

The Nomination Committee would assess gender balance of the Board on an annual basis and assist the development of pipeline of high-calibre candidates to achieve gender diversity in the Board.

BOARD INDEPENDENCE

The Company acknowledges that board independence is critical to good corporate governance. The effective mechanism is to ensure that a strong independent element on, and independent views and input are available to the Board. The Board endeavours to ensure the appointment of independent non-executive directors ("INED") representing at least one-third of the board's seats, with a minimum number of three INEDs. One of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise.

The governance framework and mechanisms are under regular review by the Board, through its Nomination Committee, to ensure its effectiveness. The Nomination Committee has assessed the annual independence confirmation received from each INED, having regard to the criteria under Rule 3.13 of the Listing Rules. To facilitate proper discharge of INEDs' duties, they are entitled to seek advice from the Company Secretary and, where necessary, independent professional advisers at the Company's expense.

All the Director has confirmed that they are independent of and not related to each other and any members of the senior management of the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

Directors	Attending Seminars	Reading Regulatory Updates	Giving Speeches
Mr. CHENG Wu	✓	✓	✓
Mr. YUEN Hoi Po	✓	✓	
Dr. WONG Yau Kar, David*	✓	✓	✓
Mr. YUEN Kin*	✓	✓	
Mr. CHU Yuguo*	✓	✓	

* Independent Non-executive Director

NON-EXECUTIVE DIRECTORS

All Non-executive Directors (including Independent Non-executive Directors) of the Company were appointed for a specific term, but subject to the relevant provisions of the Articles of Association of the Company or any other applicable laws whereby the Directors shall retire from their office but become eligible for re-election. All the Non-executive Directors are serving for a fixed term of not more than three years.

Throughout the year, the Board has at least three Independent Non-executive Directors, one of whom has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has received from each of Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13. The Company considers that Dr. WONG Yau Kar, David, Mr. YUEN Kin and Mr. CHU Yuguo are independent in character and judgment and they also meet the criteria set out in Rule 3.13 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code throughout year 2022.

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

EXTERNAL AUDITOR

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

Nature of the services	2022 HK'000	2021 HK'000
Audit services	**2,100**	2,100
Non-audit services		
– Interim review services	**950**	950
– Tax advisory services	**—**	—
– Other non-audit services	**460**	460
	3,510	3,510

There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The following statements, which set out the responsibilities of the Directors in relation to the consolidated financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 48 to 53 which acknowledges the reporting responsibilities of the external auditor.

Annual Report and Financial Statements

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

Accounting Policies

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

Accounting Records

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

Safeguarding Assets

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

Going Concern

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

RISK MANAGEMENT AND INTERNAL CONTROL

Responsibilities

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

Risk Management and Internal Control Systems

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

Risk Management Structure

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

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

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

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

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

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

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

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

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

Review on the Risk Management and Internal Control Systems in 2022

The Board is responsible for reviewing the effectiveness of the risk management and internal control systems for the year. The review covers all material aspects of control, including financial, operational and compliance controls. The Board has finished reviewing the Group's risk management and internal control systems for the year ended 31 December 2022 and is satisfied with the results. The Board and the management have also reviewed the adequacy of resources, staff qualifications and experiences, training programmes for staff and relevant budgets for the Group's accounting, internal audit, financial reporting functions and those relating to the Company's ESG performance and reporting, and is satisfied with the results.

COMPANY SECRETARY

Mr. HAU Wai Man, Raymond, being an employee of the Company, has been appointed as Company Secretary of the Company ("Company Secretary") since 2008. The Company Secretary reports to the chairman of the Board. His appointment and removal is a matter for the Board as a whole.

The Company Secretary is mainly responsible for assisting the chairmen of the Board and its committees to prepare agendas for meetings and to prepare and disseminate meeting material to the Directors and committees' members in a timely and comprehensive manner; ensuring every Director complies with the Board's policy and procedures, and all applicable rules and regulations; and ensuring accurate records of Board/committee meeting proceedings, discussions and decisions are recorded.

According to Rule 3.29 of the Listing Rules, Mr. HAU has taken no less than 15 hours of relevant professional training during the year. His biography is set out on page 34 of this Annual Report.

INVESTOR RELATIONS

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

COMMUNICATION WITH SHAREHOLDERS

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

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

Code provision F.2.2 of the CG Code stipulates that the Chairman should attend the annual general meeting. Mr. YUEN Hoi Po, who is temporarily taking up the day-to-day management responsibilities as the chairman of the Board, has attended the annual general meeting of the Company in year 2022 (the "AGM"), together with the chairmen of the audit, remuneration, nomination and any other committees (as appropriate). In case of their absence, he would invite another member of the committee or failing this his duly appointed delegate, to attend. These persons are available to answer questions at the AGM.

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

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

The Share Registrar of the Company would be appointed as the scrutineer at the Company's general meetings to provide the detailed procedures for conducting a poll and to take the vote. The poll results announcement will then be announced in the manner prescribed under the Listing Rules.

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

CONSTITUTIONAL DOCUMENTS

The special resolution for the amended and restated articles of association of the Company has been passed at the extraordinary general meeting of the Company held on 21 June 2022, the reason for the amendment is to permit the Company (i) to conform to the core shareholder protection standards set out in Appendix 3 to the Listing Rules, (ii) to hold hybrid general meetings and electronic general meetings, (iii) to bring the articles of association in line with amendments made to the applicable laws of the Cayman Islands and the Listing Rules, and (iv) to incorporate certain housekeeping amendments. A copy of the amended and restated articles of association of the Company has been uploaded to the websites of the Stock Exchange and the Company.

DIVIDEND POLICY

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

SHAREHOLDERS' RIGHTS

1. **Procedures for Shareholders to convene an EGM:**

   - An annual general meeting of the Company ("AGM") shall be held in each year.
   - Each general meeting, other than AGM, shall be called an extraordinary general meeting ("EGM").
   - Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.
   - The requisition signed by the requisitionist(s) shall set out the matters for consideration at the meeting to be called. It shall be deposited at the principal office of the company located at Suite 908, 9/F., Tower Two, Lippo Centre, 89 Queensway, Hong Kong.
   - In case of joint holdings, it would be sufficient if only one of the joint holders has signed the requisition.
   - The requisition may consist of several documents in like form, each signed by one or more requisitionist(s).
   - The requisition will be verified with the Company's Share Registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionist(s) concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.
   - The EGM shall be held within two (2) months after the deposit of such requisition.
   - If within twenty-one (21) days of such deposit the Board fails to proceed to convene the EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2. **Procedures for Shareholders to make proposals at AGM:**

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

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

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

   The contact details of the Company Secretary are as follows:

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

By Order of the Board

YUEN Hoi Po
Executive Director and Chief Executive Officer

Hong Kong, 29 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Huayi Tencent Entertainment Company Limited (the "Company") and its subsidiaries (together, the "Group" or the "Company") are pleased to present this Environmental, Social and Governance Report 2022 (the "ESG Report" or the "Report"). The Report aims to disclose, in an objective manner, what the Group accomplished in compliance with, as well as its internal policies, management measures and performance in relation to environmental, social and governance ("ESG") for the year 2022.

Reporting Scope

The disclosure of the Report covers the period from 1 January to 31 December 2022 (the "Reporting Period"), certain parts of which can be traced back to previous years. The Report covers the Group's ESG-related efforts and performance for its online prescription, circulation and marketing of pharmaceutical products (the "Echartnow" Platform), smart healthcare services platform business (the "Meerkat Health" Platform), entertainment & media business, and healthcare & wellness services.

Reporting Basis

The Report has been prepared in accordance with the ESG Reporting Guide (the "Guide") as set out in Appendix 27 to the Main Board Listing Rules on the Stock Exchange.

Reporting Principles

To ensure its truthfulness and accuracy, and for the purpose of fully reflecting the current ESG management status and achievements of the Group while providing valuable information, the Report is prepared in accordance with the following principles:

Principles	The Group's Response
Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.	To identify and analyse the key concerns of stakeholders, the Company has engaged a third-party consultant to carry out a materiality assessment for the 2022 ESG issues as the basis for disclosure in the Report.
Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/ energy consumption (where applicable) should be disclosed.	In accordance with the requirements of the Guide, the Company has disclosed relevant quantitative information in respect of the environmental and social aspects.
Balance: The ESG report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by report readers.	In examining the content of the Report, the Company strives to meet the "Balance" requirements. The Company has reviewed and disclosed its management measures and performance in the ESG aspects from an objective and fair perspective.
Consistency: The issuer should disclose in the ESG report changes (if any) to the methods or key performance indicators ("KPIs") used, or any other relevant factors affecting a meaningful comparison.	When collecting the text and quantitative information for the Report, the Company has briefly described the scope of collection for the indicators, calculation methods and reference information. The Company has also ensured consistency among the indicators, calculation methods and reference information across different reporting periods, and has disclosed the changes in the Report, so as to ensure comparability of the report contents.

Source of Information

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

THE ESG STRUCTURE

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

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

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

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

MATERIALITY ASSESSMENT

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

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

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

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

Step 1: Identify material issues

According to the Group's business characteristics and the ESG management priorities for the industry, a total of 22 issues, which had significant impact on the Group's operations, were identified.

Step 2: Conduct interviews and market researches

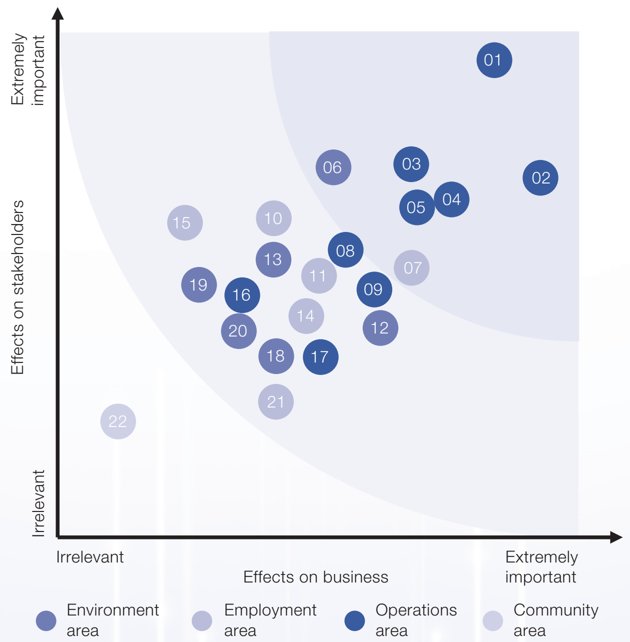
A third-party consultant was engaged to conduct management interviews for relevant business segments and benchmarking with comparable industry peers in respect of ESG performance.

Step 3: Determine the priority of issues

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

Step 4: Respond to the issues

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



Environment area

6 Climate change

12 Golf course ecological environment management

13 Energy-use efficiency

18 Water-use efficiency

19 Exhaust gas emission and sewage discharge

20 Treatment of hazardous and non-hazardous waste

Employment area

7 Occupational health and safety

10 Employees training and development

11 Employment and labour compliance management

14 Employees' rights and care

15 Packages and benefits for employees

21 Diversity and equal opportunity

Operations area

1 Customer service and satisfaction management

2 Customer's information and privacy protection

3 Compliance on operation and anti-money laundering

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

5 Digitalised marketing

8 Golf course security

9 Food health and safety

16 Promoting the development of healthcare industry

17 Responsible investment in film and TV contents

Community area

22 Charity

OPERATIONAL MANAGEMENT

The Group is committed to maintaining a fair, honest and upright business environment, carrying out operation management in pursuit of excellence and providing high-quality products and high-standard services. It protects the rights and interests of customers in accordance with the law, continuously strengthen service awareness, and keeps improving its anti-corruption mechanism. Specialised service training is provided regularly to make the Company's customer service more considerate and detail-oriented, while strict suppliers access criteria and evaluation standards are put in place to ensure suppliers' capacity and quality. The Company also conducts active training and publicity activities on anti-corruption and anti-money laundering, in order to promote honesty and integrity as part of its corporate culture.

Product and Service Responsibilities

Online Prescription, Circulation and Marketing of Pharmaceutical Products (the "Echartnow" Platform)

As a subsidiary of the Group, the "Echartnow" platform is strategically positioned as a supplier of digital operating solutions at the user-end in the healthcare industry. The platform currently holds a number of legal qualifications issued by state-level authorities, including brick-and-mortar hospital licenses, internet medical treatment license and full-function licenses for medicines/medical consumables, operational qualification for medical research and experiments, level-3 protection and digital certificates. The subsidiary is independently developing a medical operation and management platform, a professional pharmacy management platform, a discipline building and operating platform, a digital marketing platform and a patient healthcare services platform. Building on its innovative technological skills and product R&D capabilities, and in alignment with national medical policies, the subsidiary aims to build a healthcare services ecosystem that covers the entire industry chain, and a healthcare services platform encompassing all scenarios, as part of its efforts to contribute to the "Healthy China" cause.

Smart Healthcare Services Platform (the "Meerkat Health" Platform)

As a joint venture established by the Group together with industry elites, "Meerkat Health" is focused on the healthcare management industry, upholding its corporate mission of "being the expert in safeguarding the health of your family". Its strategic positioning is "a full-life-cycle and full-scene healthcare management services platform with the supply chain as its core, the medical services as its means and the digital technologies as its drive", and its value proposition is to bring about good drugs, good services, good health, good family and good technology by dedicating itself to offer all-round healthcare services which cover the entire course and cycle to everyone. "Meerkat Health" continues to make its mark in the pan-health industry with a forward-looking business strategy. During the year, "Meerkat Health" was recognised as one of the "Top 10 Enterprises in Pan-health for the Year" at the 36Kr "WISE 2022 New Economy Kings Conference".

Entertainment & Media Business

As it participates in the production of cultural and entertainment works, the Group consciously abides by the laws and regulations of the jurisdictions of operation, such as the *Regulations on Administration of Films of the People's Republic of China* and the *Law of the People's Republic of China on the Promotion of Film Industry*, throughout the whole process from the development and production to the distribution and marketing of film and television series, and disseminates high quality works to the public all along. The Group has set up a "Greenlight Committee" to regulate the risk response measures for content investment by implementing the "Greenlight Policy on Content Investment" ("Greenlight Policy"). Prior to undertaking any content investment, relevant departments must submit materials (such as investment budget, expected time of release, expected schedule for production and delivery, director and main cast, total investment amount) to the Greenlight Committee, which shall, based on objective factors such as audience preferences and industry policies, comprehensively assess the profitability of films and the legality and compliance of themes, and decide whether to proceed with the investment, so as to bring high-quality films & TV productions to the public.

Healthcare & Wellness Services

The Group promotes a new "Elegant, Natural and Healthy" lifestyle throughout the operation of "Bayhood No. 9 Club", aiming to provide its members with professional and thoughtful golfing service and social networking leisure. The Company own the PGA Golf College, which is certified by the PGA (Professional Golfers' Association in the United Kingdom). It provides double caddie service and member's concierge service, as well as Spa treatments specifically in after-golf therapy. The Group strictly complies with the LB/T 043–2015 Golf Management Service Specifications, and has formulated and implemented the Main Measures for Guaranteeing the Member Service Quality and other relevant rules, so as to regulate the implementation of procedures and quality control standards for its member services. By enhancing its service processes and standards, conducting trainings and regular quality checks, the Company has formed a closed-loop quality assurance system, with a view to ensuring service quality.

Customer Management

Customers' Health & Safety

The Group's "Echartnow" platform has formed a quality management taskforce, which is responsible for overseeing and verifying product information of medical equipment. To support quality management practices within the Company, maintain order for online sales operations at third-party platforms for medical equipment, and to ensure customer safety, those involved in quality management are required to complete scheduled trainings on quality management of medical equipment organised by relevant departments in charge of drug supervision and management. "Bayhood No. 9 Club" has formulated and strictly followed the *Security Protection for Golf Operations Guideline* to regulate the security details for caddie service and driving of golf carts. It also provided reserve duty training and safety training on employees' professional golfing knowledge to strengthen the health and safety awareness of customers, thus minimising accidental injuries.

Customers' Complaints & Responses

Adhering to customer-oriented principles, the Group has been constantly improving its service quality. "Meerkat Health" has developed and strictly followed the *Emergency Response & Management Guideline* to clarify contingent response processes for emergencies such as customer complaint, public opinions and government regulation. "Echartnow" has also formulated its own complaint management guideline to better respond to customers. "Bayhood No. 9 Club" has developed the *Procedures for Handling Customer Complaints*. In addition to offering several channels for customer engagement, such as by phone, through WeChat App and its official account, "Bayhood No. 9 Club" has also conducted customer questionnaires by distributing the "Guest Opinion Form". "Bayhood No. 9 Club" has adopted customer satisfaction surveys as a regular practice, and set up various feedback channels to actively listen to customers' feedback and enhance service quality. During the year, the Group did not receive any major complaints.

Customers' Information & Privacy Protection

The Group takes concrete measures to protect customers' information and privacy. As part of its effort to ensure information safety and reliability on its platform, "Echartnow" has developed and implemented rules such as the *Information Security Management Guideline*, *Confidentiality Guideline*, and *Management of Contingency Plan*, which clarify its requirements for managing information security, including the definition of information rating, confidentiality requirements, and contingency plans in response to risk events. In addition to formulating its own rules, such as the *Information Security Technology — Personal Information Security Specifications*, "Meerkat Health" has also formed an Information Security Steering Group, and provided its workforce with training on the *Personal Information Protection Law of the People's Republic of China* to further raise their awareness about information security and privacy protection. "Bayhood No. 9 Club" has developed and implemented the *Customer Privacy Protection Policy*, which sets forth detailed requirements for customer information collection, preservation and messaging, clarifies the access to and authorization of customer personal data files, and limits the scope of information collection and use, so as to lower the possibility of customer information leakage. The Group has entered into privacy agreements with all employees who may have access to the personal information of its customers, emphasising the importance of information security to its employees, and eliminating any employee's improper use of customer information such as leakage, sale and sharing.

Supply Chain Management

The Group has formulated and implemented the *Supplier Management Guideline*, which adheres to the principles of openness and transparency in all aspects of development, access and evaluation of suppliers and provides a fair competition platform for them.

The Group selects suppliers of good reputation that offer high quality, timely service and reasonable price. Compliance with environmental laws and regulations is also a prerequisite, and suppliers with excellent environmental performance will be preferred. As at 31 December 2022, the Group maintained good cooperative relationships with 371 suppliers with the following geographical distribution:

By region	Number of suppliers	Percentage
Mainland China	332	89.49%
Hong Kong	37	9.97%
Overseas	2	0.54%

Compliance Operations

Operating with Integrity

In order to maintain a business environment with impartiality and integrity and ensure the Group's business is conducted properly, the Company strictly adheres to the *Anti-Money Laundering Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Prevention of Bribery Ordinance* (Cap. 201, Laws of Hong Kong) and other laws and regulations in jurisdictions where its business operates, with a view to resolutely cracking down on corruption, bribery, malpractice, money laundering and other misconducts. The Company has continued to improve the anticorruption mechanism, formulate and implement various policies and systems such as the *Management Rules Against Malpractice*, the *Policy on Inside Information and Information Disclosure* and the *Code of Ethics*. It has strictly regulated the professional ethics of all employees from the policy level, strengthened the internal and external risk resistance capabilities, banned corrupt practices among employees, so as to do its best to safeguard the legitimate rights of its stakeholders, including shareholders, customers and business partners. In 2022, there was no litigation of corruption against the Group or its employees.

To strengthen the awareness of integrity among its employees, the Group has proactively carried out publicity and education on integrity, with a view to upholding a corporate culture that centres on honesty and integrity, thus creating an anti-corruption corporate environment. In 2022, the Group conducted training on anti-corruption for all members of the Board. The Company also reminds its employees to pay attention to the code of ethical conduct, properly address conflicts of interest at work, and alert and prevent commercial bribery and other violations through a number of ways, including among others, the Employee Handbook, relevant rules and policies, training sessions. In addition, an independent third-party consultant is also engaged by the Company to conduct internal audits annually to verify high-risk areas, and thus identifying and improving internal control deficiencies in a timely manner to mitigate risks.

The Group has a dedicated email and telephone, among other channels for receiving complaints of misconduct. If it is found that the accused has indeed committed any corruption upon investigation, he/she shall incur economic and administrative punishment in accordance with the state provisions and those of the Group. Any cases suspected of violating the laws shall be transferred to the judicial authorities for their handling.

Responsible Marketing

The Group abides by the *Advertising Law of the People's Republic of China* and other relevant laws and regulations. It strictly controls the information used for advertising, marketing, and streaming media, and prohibits the publication of deceptive or misleading contents to the public, so as to take the responsibility of the legality, authenticity and accuracy of the contents published, and avoid adverse effects on the public. "Echartnow" has established and strictly followed the marketing regulation processes under the *List of Compliant Marketing Processes and Standards for Pharmaceutical Companies*; "Meerkat Health" has specifically developed and improved a management guideline for external publications, which enhances its management procedures for the publication of various information, such as business cooperations, product services and market intelligence, with a view to protecting its trade secrets and legitimate rights; "Bayhood No. 9 Club" mainly promoted its activities to club members through the WeChat public platform.

TALENT CULTURE

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

Human Resources Management

As at 31 December 2022, the Group had a total of 306 full-time staff in Hong Kong and Mainland China and it continued to manage the "Bayhood No.9 Club" business in Mainland China, which employed 263 full-time staff. The KPIs for employment are as follows:

		Number of employees at the end of the year		Employee turnover rate	
Category		**The Group**	**Bayhood No. 9 Club**	**The Group**	**Bayhood No. 9 Club**
By gender	Male	183	117	22.22%	10.57%
	Female	123	146	14.81%	14.29%
By age group	35 and below	230	158	27.57%	17.14%
	35–45	58	42	9.05%	0.57%
	46 and above	18	63	0.41%	7.14%
By geographical region of working place	Mainland China	298	263	37.04%	24.86%
	Hong Kong	8	/	/	/
Total		306	263	37.04%	24.86%

Employment & Labour Practices

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

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

Diversity & Harmony

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

Remuneration and benefits

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

Employee Training & Development

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

During the year, "Echartnow" developed a training plan for its R&D centre, where online and offline trainings were provided. It collaborated with certain external professional training platforms at the initial stage, introducing videos of growth programmes for relevant skills and organised employees' studies. Furthermore, "Echartnow" also engaged lecturers selected from its internal talent pool to develop targeted programmes, aiming to empower employees to pursue personal growth.

"Meerkat Health" encourages its employees to participate in various training sessions. It also develops an annual programme offering training in forms of, among others, conference, seminars, internal and external sessions, with a view to helping employees improve their work performance by enhancing skills and knowledge needed at work. In addition, "Meerkat Health" also drives employees towards better personal performance through various methods, such as training development need analysis, training development recommendations and their implementation, and training development evaluation.

"Bayhood No. 9 Club" remains committed to providing employees with occupational education and training, with a specific focus on enhancing their performance standards and occupational quality for caddies. To this end, it adheres to the practice of engaging coaches with distinctive performance, carrying out strict evaluation, and is dedicated to building a workforce capable of providing top-level, professional caddie services. Through daily briefing, experience sharing, questionnaire and other forms of engagement, relevant departments also encourage communication and mutual learning among employees to improve training results, and empower employees to better tackle challenges at work.

As at 31 December 2022, KPIs of the Group's staff training were as follows:

Type		Average training hours completed per employee: The Group	Average training hours completed per employee: Bayhood No. 9 Club	Percentage of employees trained: The Group	Percentage of employees trained: Bayhood No. 9 Club
By gender	Male	11.42	29.76	92.90%	100.00%
	Female	10.89	30.52	94.31%	100.00%
By position	Senior management	15.67	6.00	100%	100.00%
	Middle management	8.13	21.00	88.89%	100.00%
	General staff	12.01	31.00	95.11%	100.00%

Occupational Health and Safety

The Group advocates the concept of "healthy work, healthy life" and considers the preservation of a healthy and safe working environment to be its key obligation. In 2022, the Company focused its work on production safety, anti-pandemic safety and food safety. In strict compliance with the *Law of the People's Republic of China on the Prevention* and Control of Occupational Diseases, the *Fire Protection Law of the People's Republic of China*, the *Occupational Safety and Health Ordinance* (Cap. 509, the Laws of Hong Kong) and other relevant laws and regulations in jurisdictions where it operates, the Company implemented the *General Requirements for Occupational Safety and Health Management*, the *Safety Handbook for Caddies* and other safety management systems, continuously improved the safety management framework and carried out safety management measures such as safety training and promotions, fire drills and anti-pandemic protection, so as to effectively protect the occupational health and safety of its employees.

During the Reporting Period, there was no incident of work-related injury or death of employees of the Group, and there had been no incident of work-related injury or death of employees in the past three years.

Standardised Safety Management

The Group places great emphasis on safety protection during the working period of the employees and has ensured the occupational safety and health of the employees by strictly implementing the safety management work, providing safety protection and cultivating the safety awareness of the employees. In 2022, the Group conducted 17 hours of health and safety training and eight fire drills; and "Bayhood No. 9 Club" conducted 3 hours of health and safety training and two fire drills.

Caring for Employees

The Group is committed to providing its employees with a convenient, comfortable, engaging and hassle-free workplace, and to creating a stronger sense of belonging. In 2022, the Company organised team-building activities during holidays to strengthen staff relations. Various staff activities, such as sports day and variety shows, were also organised to promote engagement and communication among employees.

During the COVID-19 pandemic, "Echartnow" made it a priority to care for its employees. Relevant initiatives included sending sympathy letters to relevant staff, and implementing caring schemes for those working remotely. By delivering masks and protective suits to front-line employees, the union at "Bayhood No. 9 Club" played an active role in caring for the health of its staff. During the pandemic, close attention was paid to the conditions of staff, while food and accommodation arrangements were made for those who were not able return home in time.

Notes to social KPIs:

(1) Data of Social KPIs covers the Group's head office in Hong Kong, as well as the business segments of "Echartnow", "Meerkat Health" and "Bayhood No. 9 Club".

(2) Employee turnover rate: = number of employees leaving employment under the category/(total number of employees at end of Reporting Period + number of employees leaving employment in the current year)*100%.

(3) Percentage of employees trained = number of employee trained/number of employees at year end. Average training hours = total training hours/number of employees at year end.

GREEN OPERATION

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

Emission Management

As more frequent extreme weather phenomenon has been brought by climate changes, the Group has recognised such issues and has understood that such phenomenon may adversely affect its production and operation. It has therefore proactively responded to the national call for "energy conservation and emission reduction" by adhering to the philosophy for sustainable and low-carbon development. The Group adopts a consistent approach across business segments to manage the use of chemicals that cause air pollution, such as paint, preservatives and fire-proof coatings. It strictly follows the chemical disposal guideline to prevent air pollution.

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

Greenhouse gas emissions (scope 1) (tonne)	993.03
Greenhouse gas emissions (scope 2) (tonne)	1,714.27
Total greenhouse gas emissions (scope 1, 2) (tonne)	2,707.30
Greenhouse gas emission intensity (scope 1, 2) (tonne/HK$'000)	0.001648

Energy Use

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

The total direct and indirect energy consumption of the Group during the Reporting Period was as follows:

Total non-renewable fuel (direct) consumption ('000 kWh)	4,669.57
Total purchased energy (indirect) consumption ('000 kWh)	2,947.96
Total energy consumption ('000 kWh)	7,617.54
Energy consumption intensity ('000 kWh/HK$'000)	0.00449

Exhaust Emissions

The Group's exhaust emissions are mainly derived from fuel use and utilisation of company vehicles. In strict compliance with relevant requirements, all segments under the Group have switched to new equipment to reduce exhaust emissions.

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

Nitrogen oxide emissions (kg)	446.28
Nitrogen oxide emissions intensity (kg/HK$'000)	0.000263
Sulphur oxide emissions (kg)	0.22
Sulphur oxide emissions intensity (kg/HK$'000)	0.0000001
Particulate matter emissions (kg)	11.18
Particulate matter emissions intensity (kg/HK$'000)	0.0000066

Waste Disposal

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

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

Hazardous waste produced (tonne)	8.01
Hazardous waste intensity (tonne/HK$'000)	0.0000047
Non-hazardous waste produced (tonne)	29.37
Non-hazardous waste intensity (tonne/HK$'000)	0.000017
Packaging material usage (tonne)	1.01

Hazardous Waste

The Group attaches great importance to regulating the management of hazardous waste, by implementing the classification management and centralised treatment of hazardous waste, it sets out to achieve reduction, recycling and biosafety. During the year, the Company signed service agreements with qualified hazardous waste disposal companies for the hazardous waste disposal throughout the operation of the Group's segments, such as waste pesticide packaging, disposed batteries, used oil barrels and waste machine oil. The Company also formulated a number of internal management regulations, such as the *Management Regulations on Hazardous Waste Warehouses*, *Management Regulations on Hazardous Waste Storage Sites*, *Management Regulations on Hazardous Waste*, *Management Regulations on Hazardous Waste Ledgers*, *Regulations on Responsibilities in the Prevention and Control of Hazardous Waste Pollution*, and *Contingency Plan for Hazardous Waste*. The Company provides protective equipment, regular health checks, as well as training on relevant laws, professional skills, safety protection and emergency treatment to relevant personnel engaging in activities which may expose them to hazardous waste. The Group has incorporated the prevention and control of pollution from hazardous waste into its development plan. Disposal of hazardous waste is timely reported to and registered with local environmental protection bureaux, while pollution incidents and prevention/mitigation measures are notified to entities and residents who may be exposed to pollution hazards.

Non-hazardous Waste

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

Water Consumption

The Group obtains commercial water through government water supply department and improves water-use efficiency by using reclaimed-water irrigation and scientific irrigation. The Group strictly complies with the *Water Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China* and other laws and regulations in jurisdictions where it operates, reasonably utilising and discharging water resources. During the Reporting Period, the Company did not have any problem in sourcing water that is fit for purpose.

The total water consumption and density of the Group during the Reporting Period were as follows:

Municipal-supplied water consumption (cubic metre)	24,715.43
Reclaimed water consumption (cubic metre)	307,099.56
Total water consumption (cubic metre)	331,814.99
Water consumption intensity (cubic metre/HK$'000)	0.2

Water Conservation

Following the principle of "high quality for the best use, low quality for rough use" in respect of water consumption, the Group has made rational use of reclaimed water resources for irrigation. In particular, only reclaimed water is used for the greening maintenance of the golf course at "Bayhood No. 9 Club". By renting a sprinkler irrigation system featuring intelligent wireless irrigation controller, and developing a plan of golf course irrigation with real-time monitoring and adjustment, the Group complied with the regulations promulgated by Beijing municipality in 2014 to prohibit the use of groundwater and domestic water for irrigation. For daily office use of water, the Group proactively promotes the water-saving concept, analyses the causes of abnormal usage in a timely manner and implements improvement plans, aiming to reduce waste of water resources.

Sewage Treatment

The Group strictly complies with the Environmental Quality Standards for Surface Water and other laws and regulations in jurisdictions where it operates. In accordance with plans of the municipal administration, domestic sewage generated at its segments is collected via designated sewage pipes and subsequently discharged to the municipal sewage network, where it will be treated in a centralised manner by relevant sewage treatment plants. Seeped water from irrigation that carries pesticide and fertiliser residues will be directed to artificial irrigation lakes for irrigation via collection pipes, and be reused for greening or irrigation purposes after being bio-decomposed and absorbed. Local environmental protection bureaux (EPBs) conduct sampling checks on sewage on a regular basis. During the Reporting Period, all the water samples complied with the requirements of local EPBs.

Notes to environmental KPIs:

(1) During the Reporting Period, the scope of data collection covered the Group's offices in Hong Kong, office areas of "Echartnow" and "Meerkat Health" in Xi'an and Hangzhou, respectively, as well as golf course and office areas of "Bayhood No. 9 Club" in Beijing.

(2) Exhaust gas emissions are derived from the consumption of natural gas and the motions of company vehicles. The emission factors of natural gas are determined with reference to the *Factors & Material Measuring Methods Applicable to Industries Not Included in the Pollutant Discharge Permit Management System* as promulgated by the Ministry of Ecology and Environment of the People's Republic of China (the "PRC"), while the emission factors of company vehicles are determined with reference to the *Reporting Guidance on Environmental KPIs* (the "Reporting Guidance") from the Stock Exchange.

(3) Greenhouse gas emissions (scope 1) mainly come from the fuel consumption of company vehicles, machinery for golf course maintenance and natural gas consumption of boilers, while greenhouse gas emissions (scope 2) are generated from the electricity consumption. The emission factors of greenhouse gases are determined under the *Reporting Guidance* from the Stock Exchange and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories issued by the Intergovernmental Panel on Climate Change* and the *2019 China Regional Grid Baseline Emission Factor for Emission Reduction Project* published by the Ministry of Ecology and Environment of the PRC.

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

Climate Change

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

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

Strategy: the Group comprehensively enhances its system-building efforts and control measures in response to climate-related risks and opportunities, aiming to achieve higher-level contingency management. Contingency drills are also conducted regularly to safeguard its employees and customers.

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

In terms of transition risks, there is no significant impact on the Group relating to current climate change policies. And the policies applicable to "Bayhood No. 9 Club" relating to energy conservation, water saving and land use have been strictly enforced for many years. Therefore, risks to the Group arising from policies relating to climate change are predicted to be low. Moreover, as its business is currently less exposed to scenarios arising from climate change, the Company is not aware of any potential changes in demand for its products or services as a result of climate change. Besides, the negative impact on the environment arising from the Company's business operations is relatively small. As such, the risk of future transition to a low-carbon and energy-efficient economy is expected to be low.

In terms of physical risks, the Group has formulated related contingency plans across its businesses. Prevention and protection against unexpected events are achieved through the installation of new drainage equipment, regular maintenance of the drainage system and timely identification of potential drainage flood hazards. In 2022, the Company did not suffer any disruptive effects due to any extreme weather events. Taking the above into account, the Company expects its physical risks to be low.

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

COMMUNITY INVESTMENT

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

In 2022, all segments of the Group actively participated in government initiatives and community-building initiatives, addressing challenging issues faced by community and government authorities. During the Winter Olympics, the Company mobilised manpower and resources to assist the community in crowd-control and security tasks around the Winter Olympics venues. These efforts, which lasted for a month, won praise and recognition from community and government authorities. Meanwhile, in its capacity as a partner of the Check-up Centre of Zhejiang Cancer Hospital, "Meerkat Health" participated in a nationwide cancer prevention and control welfare programme led by China's National Cancer Center. By assisting in the promotion of this programme, the SaaS system and relevant volunteer services, "Meerkat Health" played an active part in supporting the "Healthy China" cause. Following a successful conclusion in March 2023, activities under the programme for the next year will commence in April. Going forward, the Company will take a more active part in engaging communities, and employ more community members to help with community-building activities.

APPENDIX: ESG REPORTING GUIDE INDEX

ESG Guide		Status of Disclosure	Corresponding Chapter
Aspect A1: Emissions			
General Disclosure	Information on the policies and 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.	Disclosed	GREEN OPERATION
A1.1	The types of emissions and respective emissions data.	Disclosed	GREEN OPERATION
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	GREEN OPERATION
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	GREEN OPERATION
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	GREEN OPERATION
A1.5	Description of emission target(s) set and steps taken to achieve them.	Disclosed	GREEN OPERATION
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Disclosed	GREEN OPERATION
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Disclosed	GREEN OPERATION
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total ('000 kWh) and intensity (e.g. per unit of production volume, per facility).	Disclosed	GREEN OPERATION
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	GREEN OPERATION
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Disclosed	GREEN OPERATION
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Disclosed	GREEN OPERATION
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Disclosed	GREEN OPERATION
Aspect A3: Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on environment and natural resources.	Disclosed	GREEN OPERATION
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	GREEN OPERATION
Aspect 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.	Disclosed	GREEN OPERATION
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.	Disclosed	GREEN OPERATION
Aspect B1: Employment			
General Disclosure	Information on the policies and 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.	Disclosed	TALENT CULTURE

ESG Guide		Status of Disclosure	Corresponding Chapter
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Disclosed	TALENT CULTURE
B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	TALENT CULTURE
Aspect B2: Health and Safety			
General Disclosure	Information on the policies and 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.	Disclosed	TALENT CULTURE
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Disclosed	TALENT CULTURE
B2.2	Lost days due to work injury.	Disclosed	TALENT CULTURE
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Disclosed	TALENT CULTURE
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	TALENT CULTURE
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, and middle management).	Disclosed	TALENT CULTURE
B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	TALENT CULTURE
Aspect B4: Labour Standards			
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Disclosed	TALENT CULTURE
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	TALENT CULTURE
B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	TALENT CULTURE
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	OPERATIONAL MANAGEMENT
B5.1	Number of suppliers by geographical region.	Disclosed	OPERATIONAL MANAGEMENT
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.	Disclosed	OPERATIONAL MANAGEMENT
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	OPERATIONAL MANAGEMENT
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Disclosed	OPERATIONAL MANAGEMENT
Aspect B6: Product Responsibility			
General Disclosure	Information on the policies and 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.	Disclosed	OPERATIONAL MANAGEMENT
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	
B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	OPERATIONAL MANAGEMENT

ESG Guide		Status of Disclosure	Corresponding Chapter
B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A	OPERATIONAL MANAGEMENT
B6.4	Description of quality assurance process and recall procedures.	N/A	
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Disclosed	OPERATIONAL MANAGEMENT
Aspect B7: Anti-Corruption			
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	OPERATIONAL MANAGEMENT
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.	Disclosed	OPERATIONAL MANAGEMENT
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Disclosed	OPERATIONAL MANAGEMENT
B7.3	Description of anti-corruption training provided for directors and staff.	Disclosed	OPERATIONAL MANAGEMENT
Aspect 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.	Disclosed	COMMUNITY INVESTMENT
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	COMMUNITY INVESTMENT
B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed	COMMUNITY INVESTMENT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Mr. Cheng Wu

Director since 2018
Vice Chairman and Executive Director
Mr. CHENG Wu, aged 48, currently serves as Vice Chairman of the Board and Executive Director of the Company. He is a member of Executive Committee and Strategy Committee. Mr. CHENG graduated from Tsinghua University with a Bachelor of Science degree in Physics. He also gained an EMBA degrees from the Olin Business School at Washington University and the PBC School of Finance at Tsinghua University. Mr. CHENG is currently an executive director and chief executive officer of China Literature Limited (Stock Code: 772) which is a Hong Kong listed subsidiary of Tencent Holdings Limited (Stock Code: 700) ("Tencent"). Tencent is a substantial shareholder of the Company and a company listed on the Main Board of the Hong Kong Stock Exchange.

Mr. CHENG resigned as a non-executive director of Maoyan Entertainment (Stock Code: 1896), the shares of which are listed on The Stock Exchange of Hong Kong Limited, on 16 November 2022.

Mr. YUEN Hoi Po

Director since 2010
Executive Director and Chief Executive Officer
Mr. YUEN Hoi Po, aged 60, currently serves as Executive Director and Chief Executive Officer of the Company. He is the Chairman of Executive Committee, Corporate Governance Committee and Strategy Committee as well as a member of Remuneration Committee. Mr. YUEN holds a Bachelor of Business Administration degree from the University of Heilongjiang. Mr. YUEN is the sole member and the sole director of Smart Concept Enterprise Limited which is a substantial shareholder of the Company pursuant to Part XV of the Securities and Futures Ordinance and a director of several subsidiaries of the Company. Mr. YUEN has acquired extensive experiences in the commercial sector when he engaged in businesses, including trading, real estates, tourism and services, since 1990. Mr. YUEN is currently an independent non-executive director of Man Sang International Limited (Stock Code: 938), a company listed on The Stock Exchange of Hong Kong Limited.

Dr. WONG Yau Kar, David, *GBS, J.P.*

Director since 2000
Independent Non-executive Director
Dr. WONG Yau Kar, David GBS, JP, aged 65, currently serves as Independent Non-executive Director of the Company. He is the Chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee. Dr. Wong received a doctorate in Economics from the University of Chicago in 1987. Dr. Wong has extensive experience in manufacturing, direct investment and international trade. Dr. Wong is active in public service. He was a Hong Kong deputy of the 12th and 13th National People's Congress of the People's Republic of China (全國人民代表大會). Dr. Wong was appointed a Justice of Peace (JP) in 2010 and was awarded a Gold Bauhinia Star (GBS) by the Government of the Hong Kong Special Administrative Region in 2017 for his valuable contribution to the society.

Dr. Wong is currently an independent non-executive director of GDH Guangnan (Holdings) Limited (Stock code: 1203), Shenzhen Investment Limited (Stock code: 604) and Sinopec Kantons Holdings Limited (Stock code: 934), the shares of which are listed on The Stock Exchange of Hong Kong Limited.

Dr. Wong resigned as an independent non-executive director of CSSC (Hong Kong) Shipping Company Limited (Stock code: 3877) and Redco Properties Group Limited (Stock code: 1622), the companies listed on The Stock Exchange of Hong Kong Limited, in November 2020 and in April 2021 respectively.

Mr. YUEN Kin

Director since 2004
Independent Non-executive Director
Mr. YUEN Kin, aged 68, currently serves as Independent Non-executive Director of the Company. He is the Chairman of Audit Committee of the Company and a member of Remuneration Committee and Corporate Governance Committee. Mr. YUEN holds a Master of Business Administration degree from the University of Toronto, Canada. He is a Chartered Accountant in Canada, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. YUEN is currently an independent non-executive director of Emerson Radio Corporation (NYSEMKT: MSN), a company listed on The New York Stock Exchange. He is also an executive director of Culturecom Holdings Limited (Stock Code: 343), a company listed on The Stock Exchange of Hong Kong Limited. He had served as an independent non-executive director of Lafe Corporation Limited (SGX: AYB), a company listed on The Singapore Stock Exchange, from April 2016 to December 2020. Lafe Corporation Limited was privatized and delisted on 31 August 2020.

Mr. CHU Yuguo

Director since 2012
Independent Non-executive Director
Mr. CHU Yuguo, aged 57, currently serves as Independent Non-executive Director of the Company. He is the Chairman of Nomination Committee as well as a member of Audit Committee and Corporate Governance Committee. Mr. CHU is a PhD fellowship of Peking University. He was a lecturer of the Department of Computer Science & Technology of Peking University, deputy head and head of office of admission of Peking University Office of Educational Administration, head of asset management office of Peking University, and the chairman and general manager of Peking University Science Park. He is the chairman of Beijing Jade Bird Education & Technology Development Co., Ltd.

SENIOR MANAGEMENT

Mr. HAU Wai Man, Raymond

Mr. HAU Wai Man, Raymond, aged 48, is the Chief Financial Officer, Qualified Accountant, Company Secretary and director of several subsidiaries of the Company. He is a fellow member of the Association of Chartered Certified Accountants (ACCA), a member of Hong Kong Institute of Certified Public Accountants (HKICPA) and a Chartered Financial Analyst (CFA) Charterholder. He holds an MBA degree from The Hong Kong University of Science and Technology (HKUST), and has over 10 years of experience in international accounting firms and corporates in Hong Kong and the PRC before joining the Company in 2006.

Ms. DONG Yu

Ms. DONG Yu, aged 41, is the director and chief executive officer of Hangzhou Meerkat Health Technology Co., Ltd., a subsidiary of the Group. Ms. DONG graduated from Tianjin University of Technology with a Bachelor's degree in Chemical Engineering and Technology. Prior to joining the Group in July 2021, Ms. DONG worked for Alibaba Group Holding Limited ("Alibaba", NYSE: BABA; HKEX: 9988) and Alibaba Health Information Technology Limited ("Alibaba Health", HKEX: 241) for nearly 15 years and was responsible for the establishment of their medical and healthcare services businesses. She possesses extensive experiences and networks in the realms of pharmaceutical and medical care services via the Internet in the PRC, especially focusing on the field of medical and healthcare services. Ms. DONG has held various key positions including head of medical and healthcare services business division, head of the PRC government relations department in charge of major projects and activities cooperated with governments, and sales planning manager of B2B business division, accumulating extensive experience in the fields of product research and design, e-commerce operation, marketing operation and strategic planning. Mr. DONG also serves as director of several subsidiaries of the Company.

Mr. LIU Feng

Mr. LIU Feng, aged 41, is the chief technology officer of Hangzhou Meerkat Health Technology Co., Ltd., a subsidiary of the Group. Prior to joining the Group in September 2021, Mr. LIU served as the chief technology officer of Hangzhou Weimai Technology Co., Ltd., an internet healthcare and medical company, and worked for Alibaba (NYSE: BABA; HKEX: 9988) for over 10 years, involved in new retail projects including Tmall and Hema. Mr. LIU has extensive experiences in architecture design and research and development of retail platform, middle office of business, data platform and supply chain platform, as well as the design and commercialization of commercial products.

Ms. SHANG Jing

Ms. SHANG Jing, aged 40, is the director, general manager and was one of the founders of Shaanxi Yizhinuo Information Technology Co., Limited, a subsidiary of the Group. She joined the Group as its president, Healthcare Unit (Echartnow) upon the completion of the Company's acquisition of Shaanxi Yizhinuo Information Technology Co., Limited in April 2021. Ms. SHANG has about 10 years' experience in sales and marketing in pharmaceutical multinational corporations, including Pfizer and Novartis. Mr. SHANG also serves as director of several subsidiaries of the Company.

Mr. WANG Jian

Mr. WANG Jian, aged 48, is the director, general manager and was one of the founders of Pingtan Xinban Clinic Company Limited, a subsidiary of the Group. He joined the Group upon the completion of the Company's acquisition of Pingtan Xinban Clinic Company Limited in April 2021. Mr. WANG holds a bachelor degree in clinical medicine, and has over 25 years' experience in professional medical practice, management of medical and health technology enterprises, as well as investments and entrepreneurship in the field of medical and health technology. Mr. WANG also serves as director of several subsidiaries of the Company.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") is pleased to submit its report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in (i) online prescription, circulation and marketing of pharmaceutical products (Echartnow); (ii) smart healthcare services platform (Meerkat Health); (iii) entertainment and media business; and (iv) provision of healthcare and wellness services. Details of the principal activities of the Company's principal subsidiaries as at 31 December 2022 are set out in Note 36 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 3 to 11 of this Annual Report.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 54 of this Annual Report.

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2022.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 115 of this Annual Report.

DONATIONS

No donation was made by the Group during the year (2021: Nil).

SHARE ISSUED IN THE YEAR

Details of the shares of the Company issued in the year ended 31 December 2022 are set out in Note 29 to the consolidated financial statements.

DIRECTORS

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

Mr. CHENG Wu (Vice Chairman)[1]
Mr. YUEN Hoi Po (Chief Executive Officer)[1]
Dr. WONG Yau Kar, David, *GBS, JP* [2]
Mr. YUEN Kin[2]
Mr. CHU Yuguo[2]

1. Executive Director
2. Independent Non-executive Director

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company, as a responsible corporate citizen, is committed to promoting sustainable initiatives and performing its social responsibilities. For further details, please refer to the ESG report as set out on pages 19 to 32 of this Annual Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and Senior Management as at the date of this report are set out on pages 33 to 34 of this Annual Report.

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

The Group's remuneration policy rewards Directors and senior management based on individual's performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group.

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

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

Remuneration Bands	Number of senior management
HK$1,000,001–HK$1,500,000	1
HK$1,500,001–HK$2,000,000	1
HK$2,000,001–HK$2,500,000	1
HK$3,500,001–HK$4,000,000	1
HK$4,000,001–HK$4,500,000	1

EQUITY-LINKED AGREEMENTS

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

Share Schemes

Following the amended Chapter 17 became effective on 1 January 2023 with transitional arrangements in place, the Company could continue to grant share awards and/or options over new shares of the Company to eligible participants (as defined in the amended Chapter 17) using existing scheme mandate of the Share Option Scheme or using general mandate for the Share Award Scheme up to the earlier of (i) the date of the second annual general meeting after 1 January 2023, or (ii) the refreshment of the scheme mandate limit.

The following is a summary of the Share Option Scheme and Share Award Scheme of the Company (collectively the "**Share Schemes**"),:

	Share Option Scheme	**Share Award Scheme**
Adoption date	Share Option Scheme of the Company adopted on 21 June 2022.	Share Award Scheme of the Company adopted on 20 August 2021.
Purpose	It is designed to attract and retain the best available personnel, to provide additional incentives to eligible participants and to promote the success of the business of the Group.	It is designed to recognize the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.
Participants	The Company could continue to grant of share awards and/or options over new shares to eligible participants (as defined in the amended Chapter 17) including a person or an entity belonging to any of the following classes pursuant to the transitional arrangements for the Share Schemes adopted before the effective date of the amended Chapter 17: (a) any eligible director or employee of the Group; (b) any eligible director or employee of the related entities of the Company; and (c) any service providers who provide services to the Group on a continuing and recurring basis in their ordinary and usual course of business which are in the interests of the long-term growth of the Group.	
Total number of shares available for issue under the Share Schemes and percentage of issued shares as at the date of the annual report	The total number of shares available for issue under the Share Option Scheme was 1,356,060,657 Shares, representing approximately 9.98% of the Company's issued shares as at the date of this Annual Report.	The total number of shares available for issue under the Share Award Scheme was 1,287,310,657 Shares, representing approximately 9.48% of the Company's issued shares as at the date of this Annual Report.
Maximum entitlement of each participant	The grant of share awards and/or options to an individual participant in any 12-month period shall not exceed 1% of the relevant class of shares of the Company in issue.	
The period within which the option may be exercised by the grantee	The options are not exercisable more later than 10 years from the offer date.	N/A
The vesting period of options or awards granted	Upon the fulfilment of all vesting conditions to the grant of the share options.	Upon the fulfilment of all vesting conditions to the vesting of the awarded shares.
The amount, if any, payable on application or acceptance of the options or awards and the period within which payments or calls must or may be made or loans for such purposes must be repaid	A participant shall pay the Company HK$1.00 for the acceptance of an option offer within 21 days after the offer date.	The share awards shall be granted for nil consideration.
The basis of determining the exercise price of options granted or the purchase price of shares awarded, if any	The minimum exercise price shall not be less than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (c) the nominal value of the Shares.	NIL
Remaining life	The Share Schemes shall be valid and effective for a period of 10 years from the date of adoption.	

During the year, no share options were granted, exercised, cancelled or lapsed, and there were no outstanding options under the Share Option Scheme as at 1 January 2022 and 31 December 2022. Details of the awards granted to each participant and/or category of participants involving new shares of the Company for the year were as follows:

		Number of share or awards							Price of share	
Name or category of participants	Date of grant	As at 1 January 2022	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	As at 31 December 2022	Vesting period	closing price prior to the grant date of share options and/or awards	weighted average closing price prior to the vesting date of share awards
		'000	'000	'000	'000	'000	'000		HK$	HK$
Other employee participants										
Share awards	18 May 2022	–	77,500 Note 1	62,500 Note 2	–	15,000	–	Note 3	0.141	0.140

Note 1: Details of the fair value of share awards at the date of grant and accounting standard and policy adopted are set out in Notes 2(w) and 29 to the consolidated financial statements.

Note 2: 62,500,000 awarded shares were vested, allotted and issued as fully paid at par of HK$0.02 per Share to the trustee pursuant to the 2021 General Mandate. All the awarded shares shall be unlocked and transferred to the Grantees in four tranches in 25% each upon the expiry of the lock-up period in four consecutive years from 2023 to 2026.

Note 3: Upon the fulfilment of all vesting conditions to the vesting of the Share awards, the respective awarded shares were vested on 30 May 2022.

Number of the Share options and/or awards available for grant as at 1 January 2022 and 31 December 2022 are as follows:

	Under the mandate limit	
	1 January 2022	**31 December 2022**
Share options	N/A	1,356,060,657
Share awards	1,349,810,657	1,287,310,657

The Capital Increase and Acquisition Agreement

On 7 April 2021, the Company and Prowess Investment Limited ("PIL") (a subsidiary of the Company) entered into a capital increase and acquisition agreement with 平潭心伴門診部有限公司 (Pingtan Xinban Clinic Company Limited) ("Pingtan Xinban", together with its subsidiaries, the "Pingtan Xinban Group"), 陝西醫智諾信息科技有限公司 (Shaanxi Yizhinuo Information Technology Company Limited) ("YZN"), Mr. WANG Jian, Ms. SHANG Jing, Mr. LIN Jincong and 西安醫智諾企業管理合夥企業(有限合夥) (Xi'an Yizhinuo Enterprise Management Partnership (Limited Partnership)) (collectively, the "Founding Shareholders"), which was supplemented by a supplemental agreement entered into among the Company, PIL, Pingtan Xinban, YZN and the Founding Shareholders on 17 May 2021 and a second supplemental agreement and a third supplemental agreement entered into among the Company, PIL, Robust Ocean Limited (a subsidiary of the Company), Beijing Tenghai Boye Health Technology Co., Ltd., Pingtan Xinban, YZN, the Founding Shareholders and Ms. HAN Lihui on 20 December 2021 and 12 July 2022 respectively (the capital increase and acquisition agreement as supplemented from time to time hereinafter referred to as the "Capital Increase and Acquisition Agreement"), with the aim of, among other things, developing its strategic layout in the realms of pharmaceutical and medical care services in the PRC by acquiring equity interest in the Pingtan Xinban Group.

Pursuant to the Capital Increase and Acquisition Agreement, the Group acquired 51% equity interest in Pingtan Xinban at the consideration of up to RMB204,000,000 (the full payment of which is subject to certain conditions). Due to certain restrictions of foreign investment in the PRC, pursuant to the second supplemental agreement dated 20 December 2021, the Group transferred its 51% equity interest in Pingtan Xinban to Ms. HAN Lihui and retained 51% equity interest in Maximum Gains Ventures Limited ("Maximum Gains") which through its subsidiary is contractually entitled to economic interest in Pingtan Xinban Group. Pursuant to the Capital Increase and Acquisition Agreement, the Group further conditionally agreed to acquire the remaining 49% equity interest in Maximum Gains at the consideration of up to RMB196,000,000 (subject to adjustments) (the "Further Acquisition"). Pursuant to the third supplemental agreement dated 12 July 2022, the First and Second Performance Targets and the payment terms in relations to the First Consideration Shares and the Second Cash Investment have been revised.

The Company will allot and issue the following tranches of new Shares as part of the consideration of and in accordance with the terms and conditions of the Capital Increase and Acquisition Agreement (the "Consideration Shares") to the Founding Shareholders.

The number of the Second Consideration Shares to be issued will be determined with reference to the average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive trading days before the date of the satisfaction of the Revised First Performance Target (i.e. at any time within a period from 1 January to 31 December of the same calendar year, or a period from 1 July of a year to 30 June of the next year (a "Reference Year") after 29 April 2021 (the "Completion Date") and ending no later than 30 June 2024, (i) the aggregate amount of the revenue of the Pingtan Xinban Group reaches RMB150,000,000 as shown in the Pingtan Xinban Group's consolidated management accounts reported in accordance with Hong Kong Financial Reporting Standards, (ii) out of the said revenue, the revenue generated from prescription circulation businesses shall be no less than RMB105,000,000, (iii) the net profits after taxation of the Pingtan Xinban Group reaches RMB20,000,000 as shown in the Pingtan Xinban Group's consolidated management accounts reported in accordance with Hong Kong Financial Reporting Standards, (iv) there exists no circumstances which would render any members of the Pingtan Xinban Group unable to continue its operation, and (v) the aforesaid (i), (ii), (iii) and (iv) being confirmed by the Group in writing);

The number of the Third to the Sixth Consideration Shares to be issued will be determined with reference to the average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive trading days before the date of the satisfaction of the Revised Second Performance Target (i.e. at any time within a Reference Year after the Completion Date and ending no later than 30 June 2025, (i) the aggregate amount of the revenue of the Pingtan Xinban Group reaches RMB600,000,000 as shown in the Pingtan Xinban Group's consolidated management accounts reported in accordance with Hong Kong Financial Reporting Standards, (ii) out of the said revenue, the revenue generated from prescription circulation businesses shall be no less than RMB420,000,000, (iii) the net profits after taxation of the Pingtan Xinban reaches RMB40,000,000 as shown in the Pingtan Xinban Group's consolidated management accounts reported in accordance with Hong Kong Financial Reporting Standards, (iv) there exists no circumstances which would render any members of the Pingtan Xinban Group unable to continue its operation, and (v) the aforesaid (i), (ii), (iii) and (iv) being confirmed by the Group in writing).

Save for the issue price for the First Consideration Share has been confirmed, the issue prices per Share for the other tranches of the Consideration Shares are to be subsequently determined, and the number of Shares in these respective tranches of Consideration Shares cannot be ascertained yet.

1. ***The First Consideration Shares***

Although the Revised First Performance Target has not yet been fulfilled, the revenue of the Pingtan Xinban Group had reached RMB150,000,000 for the 12-month period after the Completion Date. Considering such positive financial results achieved by the Pingtan Xinban Group, and to provide incentives for the Founding Shareholders to diligently develop the Pingtan Xinban's businesses further, the parties to the Third Supplemental Agreement agreed that the First Consideration Shares are to be issued to the Founding Shareholders. Accordingly, 11,104,178 ordinary shares and 13,627,854 ordinary shares have been issued to Mr. WANG Jian and Ms. SHANG Jing (part of which were held on behalf of other Founding Shareholders) on 4 August 2022 at HK$0.529.

2. ***The Second Consideration Shares***

After the satisfaction of the Revised Second Performance Target, RMB50,000,000 shall be paid and settled by the allotment and issue of Shares to the Founding Shareholders.

3. ***The Third Consideration Shares***

After the satisfaction of the Revised Second Performance Target, RMB43,000,000 shall be paid and settled by the allotment and issue of Shares to the Founding Shareholders.

4. ***The Fourth Consideration Shares***

After the completion of the Further Acquisition, RMB19,600,000 shall be settled by the allotment and issue of Shares to the Founding Shareholders.

5. ***The Fifth Consideration Shares***

After the satisfaction of the Guaranteed Profits (i.e. the consolidated net profits after taxation of the Pingtan Xinban Group for the relevant period as reported in accordance with the Hong Kong Financial Reporting Standards being not less than RMB50,000,000) in the first 12 months following the completion of the Further Acquisition and within 60 days after the expiry of the 12-month period following the completion of the Further Acquisition, RMB88,200,000 shall be settled by the allotment and issue of Shares to the Founding Shareholders; and

6. ***The Sixth Consideration Shares***

After the satisfaction of the Guaranteed Profits during the 13th to the 24th month following the completion of the Further Acquisition and within 60 days after the expiry of the 24-month period following the completion of the Further Acquisition, RMB88,200,000 shall be settled by the allotment and issue of Shares to the Founding Shareholders.

As at 31 December 2022, (i) the Revised First Performance Target, the Revised Second Performance Target and the Guaranteed Profits had not yet been satisfied.

For further details of the Capital Increase and Acquisition Agreement, please refer to the announcements of the Company dated 7 April 2021, 21 April 2021, 17 May 2021, 20 December 2021, 12 July 2022 and 20 July 2022.

COMPETING BUSINESS

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

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2022, calculated under the Companies Law of the Cayman Islands and the Company's Articles of Association, amounted in total to HK$198,021,000 (2021: HK$438,809,000), representing the share premium of HK$1,226,728,000 (2021: HK$1,213,484,000) less the accumulated losses of HK$1,028,707,000 (2021: HK$774,675,000). The Company may make distributions to its members out of the share premium in certain circumstances subject to the Articles of Association of the Company.

MAJOR SUPPLIERS AND MAJOR CUSTOMERS

For the year ended 31 December 2022, the percentage of purchases attributable to the Group's five largest suppliers are as follows:

The percentage attributable to the largest supplier	29%
The percentage attributable to the five largest suppliers combined	63%

For the year ended 31 December 2022, the percentage of revenue from sales of goods or rendering of services attributable to the Group's major customers are as follows:

Percentage attributable to the largest customers	26%
Percentage attributable to the five largest customers combined	46%

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

RETIREMENT BENEFIT SCHEME

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

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

As at 31 December 2022, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in ordinary shares of the Company:

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

Notes:

1. The percentage of shareholding is calculated with reference to the Company's number of shares in issue as at 31 December 2022.

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

Save as disclosed above, as at 31 December 2022, none of the Directors, Chief Executives nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

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

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

As at 31 December 2022, the interests and short positions of the following persons (other than Directors or Chief Executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company:

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

Notes:

1. The percentage of shareholding is calculated with reference to the Company's number of shares in issue as at the 31 December 2022.
2. Smart Concept Enterprise Limited is wholly-owned by Mr. YUEN Hoi Po and was beneficially interested in 1,938,030,107 shares which representing approximately 14.27% of the total number of issued shares of the Company. Pursuant to the SFO, Mr. YUEN was deemed to be interested in these Shares.
3. Mount Qinling Investment Limited is a wholly-owned subsidiary of Tencent Holdings Limited and is beneficially interested in 2,116,251,467 shares of the Company. Pursuant to the SFO, Tencent Holdings Limited was deemed to be interested in these Shares.
4. Greater Harmony Limited is wholly-owned by Mr. KO Chun Shun, Johnson and was beneficially interested in 1,262,000,000 shares of the Company. Pursuant to the SFO, Mr. KO was deemed to be interested in these Shares.

Save as disclosed above, as at 31 December 2022, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS

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

Set out below are the details of the relevant contractual arrangements which are material to the Group.

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

1.1 *Particulars of Hangzhou Meerkat and its registered owners*

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

Ms. DONG Yu is the director and the chief executive officer of Hangzhou Meerkat and is responsible for overseeing the strategy, management and operation of Hangzhou Meerkat Principal Businesses. Please refer to the section "Biographical Details of Directors and Senior Management" for biography about Ms. DONG Yu. Mr. YANG Aiwu is an employee of the Group in the PRC since year 2011. Mr. YANG Aiwu is not a director of or involved in the management of Hangzhou Meerkat or the HZ WFOE.

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

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

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

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

1.3.1 *Exclusive Business Cooperation Agreement*

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

1.3.2 *Exclusive Purchase Right Agreement*

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

1.3.3 *Power of Attorney and Undertaking Letters*

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

1.3.4 *Equity Pledge Agreements*

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

1.3.5 *Spousal Consent Letters*

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

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

The consolidated revenue of Hangzhou Meerkat and its subsidiaries subject to the HZ VIE Contractual Arrangements for the year ended 31 December 2022 amounted to HK$893,000, being 0.05% of the Group's total revenue. The consolidated total assets of Hangzhou Meerkat and its subsidiaries subject to the HZ VIE Contractual Arrangements as at 31 December 2022 amounted to approximately HK$4,718,000, being 0.80% of the Group's total assets.

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

2.1 *Particulars of Pingtan Xinban and its registered owners*

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

Mr. WANG Jian is a shareholder and a director of Pingtan Xinban, and was also one of the founders of Pingtan Xinban. Ms. SHANG Jing is a shareholder and a director of Pingtan Xinban, and was also one of the founders of YZN. Please refer to the section "Biographical Details of Directors and Senior Management" for biographies about Mr. WANG Jian and Ms. SHANG Jing. Mr. LIN Jincong was one of the founders of Pingtan Xinban. Mr. LIN Jincong is not and will not be a director of or involved in the management of the Pingtan Xinban Group or the PT WFOE. The Employees Shareholding Platform is principally engaged in holding of the shares of YZN on behalf of the key management of YZN. Ms. HAN Lihui is a former employee of the Group in the PRC during 2011 to 2020. Ms. HAN Lihui is not a director of or involved in the management of the Pingtan Xinban Group or the PT WFOE.

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

Pingtan Xinban is operating a clinic at Fujian province in the PRC. YZN together with other members of the Pingtan Xinban Group are principally engaged in the operation of "Echartnow", a platform for online prescription, circulation and marketing of pharmaceutical products (the "Pingtan Xinban Principal Businesses"). Please refer to the section "Management Discussion and Analysis" for details.

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

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

2.3.1 *Exclusive Business Cooperation Agreements*

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

2.3.2 *Exclusive Purchase Right Agreement*

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

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

2.3.3 *Power of Attorney and Undertaking Letters*

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

2.3.4 *Equity Pledge Agreements*

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

2.3.5 *Spousal Consent Letters*

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

2.3.6 *Undertaking Letters*

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

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

The consolidated revenue of the Pingtan Xinban Group subject to the PT VIE Contractual Arrangements for the year ended 31 December 2022 amounted to approximately HK$606,218,000, being 36% of the Group's total revenue. The consolidated total assets of the Pingtan Xinban Group subject to the PT VIE Contractual Arrangements as at 31 December 2022 amounted to approximately HK$84,948,000, being 14% of the Group's total assets.

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

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

In respect of the Internet information service business operating for profit (other than App store), according to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020) (Order No. 32 of the National Development and Reform Commission and the Ministry of Commerce) (《外商投資准入特別管理措施(負面清單) (2020年版)》(國家發展和改革委員會、商務部令第32號)), Notice of the Ministry of Industry and Information Technology on Removing the Restrictions on Foreign Equity Ratios in Online Data Processing and Transaction Processing (Operating E-commerce) Business (No. 196 [2015] of the Ministry of Industry and Information Technology) (《工業和信息化部關於放開在線數據處理與交易處理業務(經營類電子

商務)外資股比限制的通告》(工信部通信[2015]196號)) and the Notice of the Ministry of Industry and Information Technology on Issues Concerning Hong Kong and Macao Service Providers Carrying out Telecommunications Services in the Mainland" (No. 222 [2016] of the Ministry of Industry and Information Technology) (《工業和信息化部關於港澳服務提供者在內地開展電信業務有關問題的通告》(工信部通信[2016]222號)), foreign investors (including Hong Kong and Macau service providers) may set up joint ventures in the PRC to provide value-added telecommunication business of information service businesses (other than App store) but are restricted to hold no more than 50% equity interest. In addition, according to the Regulations on the Administration of Foreign-invested Telecommunications Enterprises (Revised in 2016) (Order No. 666 of the State Council of the PRC) (《外商投資電信企業管理規定(2016年修訂)》(中華人民共和國國務院令第666號)), a foreign investor who invests in a value-added telecommunications services company shall have a good track record and operational experience in providing value-added telecommunications business (the "Qualification Requirement") in the PRC. There are no clear rules, measures, procedures, guidance or reference standard issued by PRC regulatory authority on the Qualification Requirement. In practice, the relevant authority would verify whether such foreign investor has previously been engaged in telecommunications business outside the PRC, or whether such foreign investor has previously held any equity interest in the PRC enterprises engaged in the telecommunications business. The Group has not had any actual engagement in telecommunications business outside the PRC, and also has not held any equity interest in the PRC enterprises engaged in the telecommunications business other than Hangzhou Meerkat and Pingtan Xinban/YZN. Therefore, the Company directly or indirectly holding equity interest in Hangzhou Meerkat, Pingtan Xinban/YZN would make it very difficult and uncertain for Hangzhou Meerkat or Pingtan Xinban/YZN to continue to hold or renew the relevant licence to carry on the value-added telecommunications business, and the time and the prolonged process of application with unknown results would incur extra costs for the Company.

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

In order to comply with the relevant PRC laws and regulations while achieving the commercial intention of the parties, the VIE Contractual Arrangements were entered into, through which the HZ WFOE and the PT WFOE will have effective control over the finance and operations of Hangzhou Meerkat Group and the Pingtan Xinban Group respectively and will enjoy the entire economic interests and benefits generated by such entities despite the lack of registered equity ownership.

4. Risks associated with the VIE Contractual Arrangements

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

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

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

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

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

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

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

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

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

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

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

Management controls

(a) the Group is entitled to appoint 2 and 3 board representatives (the "Representatives") to act as directors of Hangzhou Meerkat and Pingtan Xinban (each the "OPCO") respectively. The Representatives are required to conduct regular reviews on the operations of the OPCO and shall submit the semi-annual reviews to the Board. The Representatives are also required to check the authenticity of the monthly management accounts of the OPCO;

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

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

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

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

Financial controls

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

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

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

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

Legal review

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

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

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

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

6. Material change

There was no material change of the VIE Contractual Arrangements during the year ended 31 December 2022.

7. Unwinding of the VIE Contractual Arrangements

For the year ended 31 December 2022 and as at the date of this Annual Report, there is no unwinding of any of the VIE Contractual Arrangements or failure to unwind when the restrictions that led to the adoption of the VIE Contractual Arrangements are removed, as none of the restrictions that led to the adoption of the VIE Contractual Arrangements had been removed.

CONNECTED TRANSACTIONS

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

HZ VIE Contractual Arrangements

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

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

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

During the year ended 31 December 2022, no service fee has been paid by Hangzhou Meerkat to the HZ WFOE under the exclusive business cooperation agreement entered into between Hangzhou Meerkat and the HZ WFOE.

PT VIE Contractual Arrangements

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

(a) the Company, PIL, Robust Ocean Limited ("ROL") (a wholly-owned subsidiary of the Company), the PT WFOE, Pingtan Xinban, YZN and the PT PRC Equity Owners entered into the second supplemental agreement (the "PT Second Supplemental Agreement") to the capital increase and acquisition agreement dated 7 April 2021 entered into among the Company, PIL, Pingtan Xinban, YZN and Mr.

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

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

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

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

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

During the year ended 31 December 2022, no service fee has been paid by Pingtan Xinban/YZN to the PT WFOE under the exclusive business cooperation agreement entered into between Pingtan Xinban/YZN and the PT WFOE.

Grant of waiver

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

Annual review

Pursuant to Rule 14A.55 of the Listing Rules, all Independent Non-executive Directors have reviewed the continuing connected transactions under the HZ VIE Contractual Arrangements and the PT VIE Contractual Arrangements carried out during the year ended 31 December 2022 and confirmed that such continuing connected transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant control documents governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the transactions carried out with related parties are set out in Note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

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

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

MANAGEMENT CONTRACTS

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

INDEMNITY OF DIRECTORS

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

A separate corporate governance report prepared by the Board on its corporate governance practices is set out on pages 12 to 18 of this Annual Report.

AUDITOR

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

OTHER CHANGES IN DIRECTORS' INFORMATION

Except the following, no other change in Directors' information are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of 2022 Interim Report up to the date of this report.

Mr. CHENG Wu has resigned as a non-executive director of Maoyan Entertainment (Stock code: 1896) on 16 November 2022.

On behalf of the Board

YUEN Hoi Po
Executive Director and Chief Executive Officer

Hong Kong, 29 March 2023

羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of Huayi Tencent Entertainment Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 54 to 114, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

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

- Impairment assessment of the interest in an associate — HB Entertainment Co., Ltd. ("HB Entertainment");
- Impairment assessment of goodwill of Pingtan Xinban Clinic Company Limited ("Pingtan"); and
- Expected credit loss ("ECL") on deposits and other receivables.

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Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of the interest in an associate — HB Entertainment Co., Ltd. ("HB Entertainment")	
Refer to Note 2(b), 2(g), 4 and 18(a) to the consolidated financial statements. As at 31 December 2022, the net carrying amount of the interest in an associate — HB Entertainment was HK$218,982,000 (2021: HK$236,912,000). Management performed assessment at the end of each reporting period to consider whether there was any indication that the interest in an associate may be impaired. Management determined its recoverable amount, which was measured at the higher of fair value less costs of disposal ("FVLCOD") and value in use ("VIU"). The recoverable amount was assessed by FVLCOD based on market approach, a valuation technique that uses relevant information generated by market transactions involving comparable companies, and the VIU calculations based on discounted future cash flows on a cash generating unit basis. Based on the results of the impairment assessment, no impairment was recognised for the year ended 31 December 2022 based on the recoverable amount of HK$337,863,000, which was determined by its FVLCOD. We focused on auditing the impairment assessment of the interest in an associate because the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of the interest in an associate is considered significant due to the complexity of the model and subjectivity of significant assumptions used.	The procedures performed in relation to the impairment assessment of the interest in an associate — HB Entertainment included: • We discussed with management of the Group and obtained an understanding of management's internal control and assessment process of the impairment assessment performed by management on the interest in an associate; • We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity; • We evaluated the appropriateness of the FVLCOD calculations methodology adopted by the Group's management with the involvement of our internal valuation expert, and tested the mathematical accuracy of the underlying calculations; • We assessed the reasonableness of key assumptions used in valuation such as average enterprise value-to-revenue ratio of comparable companies, discounts for lack of marketability, significant influence premium of the associate based on our knowledge of the business and industry and market research; and • We reconciled the data input for the cash flow forecasts to the budgets approved by management of the associate and assessed the reasonableness of these budgets by comparing to historical information and the approved business plan. Based on the results of the procedures performed, we found that the key judgement and assumptions applied by management in relation to the impairment assessment of the interest in an associate — HB Entertainment were supportable by the evidence obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill of Pingtan Xinban Clinic Company Limited ("Pingtan")	
Refer to Note 2(b), 4 and 17 to the consolidated financial statements. As at 31 December 2022, the Group has goodwill of RMB25,785,000 (equivalent to approximately HK$27,853,000), relating to the acquisition of Pingtan at a consideration of RMB 40,000,000 (equivalent to approximately HK$47,877,000) on 29 April 2021. The Group is required to, at least annually, test goodwill for impairment. The Group determined the recoverable amount of Pingtan using FVLCOD method for discounted cash flows with the assistance of the independent valuer. The valuation of impairment assessment of goodwill involved significant management judgements and estimates in the determination of valuation models and the application of assumptions in the models, including forecast revenue growth rates, terminal growth rates, and discount rates used. Based on the result of the impairment assessment, no impairment was recognised during the year. We focused on auditing the impairment assessment of goodwill because the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risks in relation to impairment assessment of goodwill are considered significant due to complexity of the model and subjectivity of significant assumptions used.	The procedures performed in relation to the impairment assessment of goodwill of Pingtan included: • We discussed with management of the Group and obtained an understanding of management's internal control and assessment process of the impairment assessment performed by management on the goodwill; • We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity; • We evaluated the independent external valuer's objectivity, capability and competency to perform the valuation; • We obtained the valuation report and discussed with the independent external valuer on the methodologies and key assumptions used; • We assessed the appropriateness of methodologies and the reasonableness of key assumptions used in valuation such as revenue growth rates, terminal growth rates and discount rates based on our knowledge of the business and industry and market research with the involvement of our internal valuation expert; and • We performed sensitivity analysis on the key assumptions to evaluate the potential impacts on the recoverable amount of Pingtan, where we flexed the growth rates and discount rates as these are the key assumptions to which the valuation models are the most sensitive. Based on the above procedures performed, we found that the key judgement and assumptions applied by management in relation to the impairment assessment of goodwill of Pingtan were supportable by the evidence obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit loss ("ECL") on deposits and other receivables	
Refer to Note 2(h), 4 and 22 to the consolidated financial statements.	
As at 31 December 2022, the carrying amount of deposits and other receivables was approximately HK$107,134,000. During the year ended 31 December 2022, allowance for ECL of approximately HK$10,152,000 was recognised for deposits and other receivables. Accumulated allowance for ECL of approximately HK$15,668,000 was provided for deposits and other receivables. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures. The Group considers reasonable and supportable information including historical and forward-looking information that is relevant and available without undue cost or effort for this purpose. We focused on auditing the ECL assessment on deposits and other receivables because the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the ECL assessment is considered significant due to complexity of the model and subjectivity of significant assumptions used.	The procedures performed in relation to the ECL assessment on deposits and other receivables included: • We discussed with management of the Group and obtained an understanding of management's internal control and assessment process of the ECL assessment performed by management on deposits and other receivables; • We challenged management's estimation of the risk of default and ECL rate by checking to the debtors' settlement records and collaborated management's explanations and supporting evidence; • We evaluated the appropriateness of the forward-looking information with reference to our industry knowledge and relevant published macroeconomic data with the involvement of our internal valuation expert; • We checked, on a sample basis, the subsequent settlement of receivables to bank receipts; and Based on the above procedures performed, we considered the model, significant assumptions and data applied by management in the assessment of the ECL of deposits and other receivables were supported by available evidences.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2023

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	5	**1,692,061**	323,809
Film investment income	5	**–**	1,912
Interest revenue calculated using the effective interest method	5	**–**	1,992
		1,692,061	327,713
Cost of sales		**(1,295,412)**	(285,812)
Gross profit		**396,649**	41,901
Other income and other (losses)/gains, net	5	**(8,553)**	15,388
Marketing and selling expenses		**(499,453)**	(50,670)
Research and development expenses		**(35,751)**	(3,146)
Administrative expenses		**(152,301)**	(136,230)
Net provision for impairment of financial assets		**(11,029)**	(1,875)
		(310,438)	(134,632)
Finance costs, net	7	**(1,768)**	(2,280)
Share of results of an associate	18(a)	**(4,817)**	(4,933)
Loss before taxation	8	**(317,023)**	(141,845)
Taxation	9	**425**	418
Loss for the year		**(316,598)**	(141,427)
Attributable to:			
Equity holders of the Company		**(269,980)**	(110,402)
Non-controlling interests		**(46,618)**	(31,025)
		(316,598)	(141,427)
		HK Cents	HK Cents
Loss per share attributable to the equity holders of the Company for the year			
Basic and diluted loss per share	10	**(1.99)**	(0.82)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Loss for the year		**(316,598)**	(141,427)
Other comprehensive (loss)/income:			
Item that may be reclassified to profit or loss:			
– Currency translation differences		**(11,793)**	(22,091)
Item that may not be reclassified to profit or loss:			
– Currency translation differences		**1,875**	466
Other comprehensive loss for the year, net of tax		**(9,918)**	(21,625)
Total comprehensive loss for the year		**(326,516)**	(163,052)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(281,773)**	(132,493)
Non-controlling interests		**(44,743)**	(30,559)
		(326,516)	(163,052)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Notes	As at 31 December 2022 HK$'000	2021 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	13	**13,943**	7,466
Right-of-use assets	14	**41,732**	61,914
Film rights and films production in progress	15	**–**	116,949
Intangible assets	16	**4,527**	4,793
Goodwill	17	**27,853**	30,397
Interests in associates	18	**238,575**	261,072
Financial assets at fair value through profit or loss	20	**17,110**	–
Prepayments, deposits and other receivables	22	**3,846**	1,803
		347,586	484,394
Current assets			
Inventories	23	**4,832**	2,272
Trade and bills receivables	21	**95,787**	63,327
Prepayments, deposits and other receivables	22	**99,585**	211,227
Financial asset at fair value through profit or loss	20	**–**	1,428
Restricted cash	24	**3,096**	–
Cash and cash equivalents	25	**38,300**	148,552
		241,600	426,806
Total assets		**589,186**	911,200
Equity and liabilities			
Equity			
Equity attributable to the equity holders of the Company			
Share capital	29	**271,707**	269,962
Reserves	30	**116,493**	385,391
		388,200	655,353
Non-controlling interests		**(38,275)**	3,547
Total equity		**349,925**	658,900
Liabilities			
Non-current liabilities			
Lease liabilities	14	**13,773**	10,036
Deferred income tax liabilities	9	**525**	1,011
		14,298	11,047
Current liabilities			
Trade payables	27	**94,182**	29,291
Other payables and accrued liabilities	28	**78,265**	89,135
Contract liabilities	28	**8,922**	80,670
Bank and other borrowings	26	**32,740**	–
Lease liabilities	14	**10,854**	42,157
		224,963	241,253
Total liabilities		**239,261**	252,300
Total equity and liabilities		**589,186**	911,200

The financial statements on pages 54 to 114 were approved by the Board of Directors on 29 March 2023 and were signed on its behalf.

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

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	31(a)	**(90,092)**	108,383
Interest received from programmes and films production in progress		**–**	322
Interest paid	31(b)	**(144)**	(10)
Net cash (used in)/generated from operating activities		**(90,236)**	108,695
Cash flows from investing activities			
Interest received		**1,213**	1,484
Purchases of property, plant and equipment		**(12,134)**	(6,397)
Purchases of intangible assets		**(1,598)**	(4,829)
Investment in an associate		**–**	(24,160)
Acquisition of subsidiaries		**–**	(2,791)
Proceeds from sales of property, plant and equipment		**558**	–
Net cash used in investing activities		**(11,961)**	(36,693)
Cash flow from financing activities			
Repayment of bank and other borrowings	31(b)	**–**	(1,197)
Proceeds from bank and other borrowings	31(b)	**33,784**	–
Principal elements of lease payments	31(b)	**(44,228)**	(38,399)
Net cash used in financing activities		**(10,444)**	(39,596)
Net (decrease)/increase in cash and cash equivalents		**(112,641)**	32,406
Cash and cash equivalents at 1 January		**148,552**	113,837
Currency translation differences		**2,389**	2,309
Cash and cash equivalents at 31 December	25	**38,300**	148,552

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity holders of the Company					
	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2021	269,962	2,061,151	(1,554,521)	776,592	–	776,592
Comprehensive loss:						
– Loss for the year	–	–	(110,402)	(110,402)	(31,025)	(141,427)
Other comprehensive (loss)/income:						
Currency translation differences						
– Group	–	(639)	–	(639)	–	(639)
– Associate (Note 18)	–	(21,452)	–	(21,452)	–	(21,452)
– Non-controlling Interests	–	–	–	–	466	466
Total comprehensive loss	–	(22,091)	(110,402)	(132,493)	(30,559)	(163,052)
Contribution by and distribution to owners of the Company recognized directly in equity:						
– Share-based compensation	–	11,254	–	11,254	17,759	29,013
Acquisition of subsidiaries (Note 33)	–	–	–	–	16,347	16,347
Balance at 31 December 2021	269,962	2,050,314	(1,664,923)	655,353	3,547	658,900

	Attributable to equity holders of the Company					
	Share capital HK$'000	**Other reserves HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total HK$'000**
Balance at 1 January 2022	**269,962**	**2,050,314**	**(1,664,923)**	**655,353**	**3,547**	**658,900**
Comprehensive loss:						
– Loss for the year	**–**	**–**	**(269,980)**	**(269,980)**	**(46,618)**	**(316,598)**
Other comprehensive (loss)/income:						
Currency translation differences						
– Group	**–**	**1,320**	**–**	**1,320**	**–**	**1,320**
– Associate (Note 18)	**–**	**(13,113)**	**–**	**(13,113)**	**–**	**(13,113)**
– Non-controlling Interests	**–**	**–**	**–**	**–**	**1,875**	**1,875**
Total comprehensive loss	**–**	**(11,793)**	**(269,980)**	**(281,773)**	**(44,743)**	**(326,516)**
Contribution by and distribution to owners of the Company recognized directly in equity:						
– Vested share awards	**1,250**	**(1,250)**	**–**	**–**	**–**	**–**
– Share-based compensation	**–**	**14,620**	**–**	**14,620**	**2,921**	**17,541**
– Acquisition of subsidiaries (Note 33)	**495**	**(495)**	**–**	**–**	**–**	**–**
Balance at 31 December 2022	**271,707**	**2,051,396**	**(1,934,903)**	**388,200**	**(38,275)**	**349,925**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1 GENERAL INFORMATION

Huayi Tencent Entertainment Company Limited (the "Company") and its subsidiaries (together, the "Group") is principally engaged in (i) online prescription, circulation and marketing of pharmaceutical products (Echartnow Platform); (ii) smart healthcare services platform (Meerkat Health Platform); (iii) entertainment and media business; and (iv) provision of healthcare and wellness services.

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

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

These consolidated financial statements are presented in thousand Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2023.

2 PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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

For the year ended 31 December 2022, the Group had a loss of HK$316,598,000 (2021: HK$141,427,000) and operating cash outflow of HK$90,236,000 (2021: operating inflow of HK$108,695,000), while the cash and cash equivalents was HK$38,300,000 as at 31 December 2022 (2021: HK$148,552,000). The directors of the Company have reviewed the Group's cash flow projections covering a period of not less than 12 months from 31 December 2022, and are of the opinion that, considering the anticipated cash flows generated from the Group's operations taking into account of reasonably possible changes in operating performance, and all financing that could reasonably be expected, the Group will have sufficient working capital to fulfil its financial obligations in the next twelve months from 31 December 2022. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

(i) *Amended standards adopted by the Group*

The Group has applied the following amended standards for the first time for their annual reporting period commencing 1 January 2022:

Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020 (amendments)
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (amendments)
HKFRS 16	Covid-19-Related Rent Concessions beyond 2021 (amendments)
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

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

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

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

		Effective for annual periods beginning on
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 January 2023
HKAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)	1 January 2023
HKFRS 17	Insurance Contracts (new standard)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9-Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

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

(b) Group accounting

(i) *Consolidation*

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

(ii) *Subsidiaries*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

(iii) *Business combinations and goodwill*

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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

(iv) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. 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 recognized in a separate reserve within equity.

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 remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized 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 recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

(v) *Separate financial statements*

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

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

(vi) *Associates*

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

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

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

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

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

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

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

(vii) *Joint arrangements*

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

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

(viii) *Segment reporting*

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

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

(ii) *Transactions and balances*

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

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

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

(iii) *Group companies*

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

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

(b) income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

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

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

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

(d) Property, plant and equipment

Property, plant and equipment, comprising plant, equipment and other assets are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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 (Note 2(g)).

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

(e) Film rights and films production in progress

(i) *Completed film rights*

Completed film rights comprise amounts paid and payable under agreements for the productions, circulations of films on film-by-film basis.

Completed film rights are stated at cost less accumulated amortization and accumulated impairment losses.

Upon the release of the films, completed film rights are amortized using straight line method over the circulation period.

(ii) *Film rights investments*

Film rights investments are the Group's investments in films production project which entitles the Group to share certain percentage of income to be generated from the related film based on the Group's investment portion as specified in respective film right investment agreements but the Group has no control nor joint control over the investments. Film rights investments are carried at fair value.

(iii) *Films production in progress*

Fees paid in advance under agreements for production of films are accounted for as films production in progress. Films production in progress are recognized when payment was made. Upon receipt of the films, the films production in progress would be transferred to completed film rights and the remaining payable balances will be recorded as a liability, if any. Provision for impairment loss is made against the advance to the extent that film rights will not be received and the advance is not recoverable in the future.

In case where the Group is unable to exercise the rights under an agreement because the film producer fails to complete the film, the Group writes off the difference between the advances made and the estimated recoverable amount from the film producer.

(f) Intangible assets (other than goodwill)

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

(g) Impairment of non-financial assets

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

(h) 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, or through profit or loss), and
- those to be measured at amortized cost.

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

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

(ii) *Recognition and derecognition*

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

(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 fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated income statement.

Debt instruments

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

Amortized cost

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

Equity instruments

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

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

(iv) *Impairment*

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

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

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

(i) Financial liabilities

(i) *Initial recognition and measurement*

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

(ii) *Subsequent measurement*

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

(iii) *Derecognition*

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

(j) Offsetting financial instruments

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

(k) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

See Note 21 for further information about the Group's accounting for trade receivables and Note 2(h)(iv) for the description of the Group's impairment policies.

(l) Inventories

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

(m) Cash and cash equivalents

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

(n) Share capital

Ordinary shares and preference shares are classified as equity.

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

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

(o) Dividend distribution

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

(p) Trade payables and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables and other 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.

Other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(q) Borrowings

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

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

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

(r) Current and deferred income tax

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

(i) *Current income tax*

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

(ii) *Deferred income tax*

Inside basis difference

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

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

Outside basis differences

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

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

(iii) *Offsetting*

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

(s) Provisions

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

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

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

(t) Revenue recognition

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

The Group recognizes revenue when the control of goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifies of each arrangement.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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

(i) *Platform service fee for circulation of prescribed pharmaceutical products*

The Group has a new retail platform for prescribed pharmaceutical products which can connect doctors, patients and physical pharmacies and establish a closed loop starting from doctors issuing electronic prescriptions, patients ordering prescription drugs at pharmacies, online payment to final delivery of the drugs prescribed. The Group will receive platform service fees from the pharmacies based on a certain percentage of the Gross Merchandise Value ("GMV") of the prescribed pharmaceutical products ordered by the patients from the pharmacies through the platform. Platform service fees are recognized upon the delivery of prescription drugs to customers.

(ii) *Digital marketing services*

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

(iii) *Sale of pharmaceutical and healthcare products*

The Group is engaged in the sale of pharmaceutical and healthcare products to individual customers and to merchant customers. Revenue from the sale of pharmaceutical and healthcare products is recorded net of discounts and recognized when the goods are delivered to customers by third party couriers. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized.

(iv) *Revenues from the smart healthcare service business*

The Group provides a variety of standardized service packages that integrate services provided by various medical and healthcare organizations to meet the health-related needs of the users, such as health check-ups and vaccine inoculation. The Group principally generates revenue from selling the standardized service packages to individual customers or corporate customers. Different types of service packages provide the customers with a specific number of times of services for each service offered in the package. Revenue is recognized upon the individual service is rendered to customers.

(v) *Revenue from film exhibition*

Revenue from film exhibition is recognized when the film is shown and the right to receive payment is established and reported under "Entertainment and Media" segment.

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

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

(vii) *Club activities income, food and beverage income and membership fee income*

Food and beverage income and club activities income are accounted for when the services are rendered. Members' annual fees and membership entrance fees are recognized on an agreed calculation basis pursuant to the club lease agreement that the Group and the lessor entered into. Such food and beverage income and club activities income are reported under "Healthcare and Wellness Services" segment.

(u) Interest income and interest revenue

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

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

(v) Dividend income

Dividend income is recognized when the right to receive payment is established.

(w) Share-based payments

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

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

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

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

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

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

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

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

(x) Employee benefits

(i) *Retirement benefit costs*

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

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

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

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

(ii) *Termination benefits*

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

(iii) *Profit-sharing and bonus plans*

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

(iv) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

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

(y) Leases

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT

(i) Financial risk factors

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

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

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

Based on the simulations performed on cash balances placed with banks and bank borrowings carried at floating interest rate, if the interest rate increased/decreased by 60 basis-point with all other variables held constant, loss attributable to the equity holders of the Company for the year ended 31 December 2022 would decrease/increase by HK$196,000 (2021: HK$891,000).

(b) *Credit risk*

(i) *Risk Management*

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

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

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

Other than concentration of credit risk on bank balances, which are deposited with several banks with good credit ratings, the Group has concentration of credit risk as the Group's largest trade debtor accounted for 29% (2021: 44%) of the total trade receivables, and top three trade debtors constituted 54% (2021: 94%) of the total trade receivables as at 31 December 2022.

(ii) *Impairment of financial assets*

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

Trade receivables

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

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

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

As at 31 December 2022, the balance of loss allowance in respect of these individually assessed receivables was approximately HK$8,322,000 (2021: HK$8,322,000).

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

Internal credit rating	Average loss rate	Gross carrying amount	Impairment loss allowance
	%	HK$'000	HK$'000
As at 31 December 2021			
A3 to Aaa	0.23	34,039	(78)
B3 to Baa1	0.39	29,481	(115)
		63,520	(193)
As at 31 December 2022			
A3 to Aaa	0.00	**4,143**	**–**
B3 to Baa1	0.16	**39,403**	**(65)**
Caa3 to Ca	1.85	**53,291**	**(985)**
		96,837	**(1,050)**

Other financial assets at amortised cost

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

For the year ended 31 December 2022 and 2021, the expected credit losses of these individually assessed and collectively assessed receivables were as follows:

	2022	2021
	HK$'000	HK$'000
Programmes and films production in progress — individual basis	**–**	(25)
Trade receivables — collective basis	**877**	193
Deposits and other receivables — collective basis	**10,152**	1,707
	11,029	1,875

(c) *Foreign exchange risk*

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

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

As at 31 December 2022, if RMB had strengthened/weakened by 5% against HK$ with all other variables held constant, the loss for the year would decrease/increase by HK$1,571,000 (2021: HK$6,725,000), mainly as a result of foreign exchange gains/losses on translation of cash and cash equivalent and other receivables denominated in RMB and recorded in group entities with functional currency in HK$.

As at 31 December 2022, if KRW had strengthened/weakened by 5% against HK$ with all other variables held constant, the loss for the year would increase/decrease by HK$241,000 (2021: decrease/increase by HK$247,000), mainly as a result of foreign exchange gains/losses on translation of share of results of an associate denominated in KRW and recorded in group entities with functional currency in HK$.

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

(d) *Liquidity risk*

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

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

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

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2021						
Trade payables	–	29,291	–	–	–	29,291
Other payables and accrued liabilities	–	72,129	–	–	–	72,129
Lease liabilities	–	42,157	10,036	–	–	52,193
Total	–	143,577	10,036	–	–	153,613
At 31 December 2022						
Trade payables	–	94,182	–	–	–	94,182
Other payables and accrued liabilities	–	48,739	–	–	–	48,739
Bank and other borrowings	–	32,740	–	–	–	32,740
Lease liabilities	–	12,071	7,071	8,143	–	27,285
Total	–	187,732	7,071	8,143	–	202,946

(ii) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

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

	2022 HK$'000	2021 HK$'000
Total lease liabilities (Note 14)	24,627	52,193
Bank and other borrowings	32,740	–
Less: cash and cash equivalents (Note 25)	(38,300)	(148,552)
Net debt/(surplus)	19,067	(96,359)
Total equity	349,925	658,900
Gearing ratio	5.45%	N/A

(iii) Fair value estimation

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

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

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

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Assets				
At 31 December 2021				
Interest in an associate (Note 18(b))				
– Deep Sea Health Limited	–	–	24,160	24,160
Financial asset at fair value through profit or loss (Note 20)				
– Deep Sea Health Limited	–	–	1,428	1,428
	–	–	25,588	25,588
At 31 December 2022				
Interest in an associate (Note 18(b))				
– Deep Sea Health Limited	**–**	**–**	**19,593**	**19,593**
Financial asset at fair value through profit or loss (Note 20)				
– Deep Sea Health Limited	**–**	**–**	**2,557**	**2,557**
– Beijing Yi Yao Liang Xin	**–**	**–**	**14,553**	**14,553**
	–	**–**	**36,703**	**36,703**

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

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

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

There were no transfers between levels 1, 2 and 3, and no change in valuation techniques during the year (2021: same).

The following table presents the movements of the Group's assets that are in level 3 for the years ended 31 December 2021 and 2022:

	Financial asset at fair value through profit or loss – Huayi-Warner Content Fund (Note (i)) HK$'000	**Financial asset at fair value through profit or loss – Deep Sea Health Limited (Note (ii))** HK$'000	**Financial asset at fair value through profit or loss – Beijing Yi Yao Liang Xin (Note (iii))** HK$'000	**Total** HK$'000
As at 1 January 2021	474	–	–	474
Fair value gain through profit or loss	546	–	–	546
Addition	–	1,428	–	1,428
Return of investment	(967)	–	–	(967)
Exchange realignment	(53)	–	–	(53)
As at 31 December 2021	–	1,428	–	1,428
As at 1 January 2022	**–**	**1,428**	**–**	**1,428**
Fair value gain through profit or loss	**–**	**1,342**	**–**	**1,342**
Addition	**–**	**–**	**14,553**	**14,553**
Exchange realignment	**–**	**(213)**	**–**	**(213)**
As at 31 December 2022	**–**	**2,557**	**14,553**	**17,110**

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

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

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

The Group has engaged an independent valuer to determine the fair value of the unlisted investment. The fair value as at 31 December 2022 was estimated by using the market approach (2021: investment cost).

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

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

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

The Group has determined that the cost of acquisition during the year approximates fair value of the unlisted investment as at 31 December 2022 given the short time period in between.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Impairment of completed film rights and films production in progress

The Group assesses at the end of each reporting period whether there is any indication for impairment on the completed film rights and films in progress and further assesses if they have suffered any impairment, in accordance with the accounting policy stated in Note 2(e), 2(f) and 2(g). Such annual assessment is performed on film-by-film basis at each balance sheet date. The recoverable amounts of completed films right and films production in progress have been determined based on the expected future cash flow forecasts and the films production budget and status respectively. These forecasts require the use of estimates.

For the year ended 31 December 2022, provision for impairment of completed film rights of HK$43,565,000 (2021: nil) was recognized and no provision for impairment of films production in progress was recognized (2021: HK$3,393,000).

(ii) Amortization of completed film rights

At the end of each reporting period, the directors of the Company assessed the amortization policy and the expected circulation period of the completed film rights. The determination of amortization policy and the expected circulation period requires management's significant judgement.

(iii) Impairment of financial assets

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

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

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

For the year ended 31 December 2022, no provision for impairment of interest in an associate — HB Entertainment has been recognized (2021: nil).

(v) Classification of joint arrangements

The Group has entered into joint arrangements to produce and distribute films. The Group has participating interests ranging from 20% to 50% (2021: 20% to 50%) in these joint arrangements. The Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The Group's joint arrangements involve the joint control by the venturers of the assets contributed to the joint arrangement and dedicated to the purposes of the joint arrangement. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred. These joint arrangements do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Therefore, these arrangements are classified as joint operations of the Group. The determination of the relevant activities under joint operations requires management's significant judgement.

(vi) Determination of lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

As at 31 December 2022, potential future cash outflows of RMB396,630,000 (equivalent to HK$444,020,000) (2021: RMB396,630,000 (equivalent to HK$485,115,000) undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(vii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the cash-generating units based on fair value less costs of disposal calculations. The calculation requires the use of estimates. Details of key assumptions and inputs used are disclosed in Note 17.

For the year ended 31 December 2022, no provision for impairment of goodwill has been recognized (2021: Nil).

(viii) Share-based payments

Judgement is exercised in the assessment of the fair value of the share-based payments. In making its judgement, management considers the nature of services received and a wide range of factors such as the share price of the Company and estimated vesting number of shares based on the non-market performance conditions.

5 REVENUE, FILM INVESTMENT INCOME, INTEREST REVENUE CALCULATED USING THE EFFECTIVE INTEREST METHOD AND OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

The Group is principally engaged in (i) online prescription, circulation and marketing of pharmaceutical products; (ii) smart healthcare services platform; (iii) entertainment and media business; and (iv) provision of healthcare and wellness services.

	2022 HK$'000	2021 HK$'000
Revenue		
Online prescription, circulation and marketing of pharmaceutical products		
– Digital marketing services	606,130	35,968
– Circulation of prescribed pharmaceutical products	88	182
Smart healthcare services platform		
– Healthcare consumption	807,511	22,457
– Medical services	16,038	37
– Healthcare management	660	–
Entertainment and media		
– Film exhibition and license fee	150,964	151,436
Healthcare and wellness services		
– Club activities income	75,943	68,879
– Membership fees	25,555	27,463
– Food and beverage	9,172	17,387
	1,692,061	323,809
Film investment income (Entertainment and media)	–	1,912
Interest revenue calculated using the effective interest method (Entertainment and media)	–	1,992
	1,692,061	327,713
Other income and other (losses)/gains, net		
Share of subsidies for movie production	–	10,645
Interest income	1,213	1,484
Fair value change on financial assets at fair value through profit or loss, net	(4,567)	1,921
Fair value change on interest in an associate measured at fair value through profit or loss	1,129	–
Fair value change on film investment fund received	–	(951)
Waive of liabilities	288	–
Exchange (loss)/gain, net	(8,639)	2,003
Others	2,023	286
	(8,553)	15,388

6 SEGMENT INFORMATION

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

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

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

There were no sales between the operating segments during the year ended 31 December 2022 (2021: Nil).

(a) Business segment

For the year ended 31 December 2022

	Online prescription, circulation and marketing of pharmaceutical products HK$'000	Smart healthcare services platform HK$'000	Entertainment and media HK$'000	Healthcare and wellness services HK$'000	Total HK$'000
Revenue	606,218	824,209	150,964	110,670	1,692,061
Share of results of an associate	–	–	(4,817)	–	(4,817)
Segment results	(57,809)	(86,337)	(122,882)	1,374	(265,654)
Exchange losses, net					(8,639)
Fair value change on financial assets at fair value through profit or loss — unallocated					(4,567)
Fair value change on interest in an associate measured at fair value through profit or loss — unallocated					1,129
Provision for impairment of financial assets — unallocated					(1,032)
Other unallocated expenses, net					(36,492)
					(315,255)
Finance costs, net					(1,768)
Loss before taxation					(317,023)
Taxation					425
Loss for the year					(316,598)
Loss for the year attributable to non-controlling interests					46,618
Loss for the year attributable to equity holders of the Company					(269,980)

For the year ended 31 December 2022

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

For the year ended 31 December 2021

	Online prescription, circulation and marketing of pharmaceutical products HK$'000	Smart healthcare services platform HK$'000	Entertainment and media HK$'000	Healthcare and wellness services HK$'000	Total HK$'000
Revenue	36,150	22,494	151,436	113,729	323,809
Film investment income	–	–	1,912	–	1,912
Interest revenue calculated using the effective interest method	–	–	1,992	–	1,992
	36,150	22,494	155,340	113,729	327,713
Share of results of an associate	–	–	(4,933)	–	(4,933)
Segment results	(57,261)	(13,881)	(34,317)	(1,019)	(106,478)
Exchange gains, net					2,003
Unallocated expenses, net					(35,090)
					(139,565)
Finance costs, net					(2,280)
Loss before taxation					(141,845)
Taxation					418
Loss for the year					(141,427)
Loss for the year attributable to non-controlling interests					31,025
Loss for the year attributable to equity holders of the Company					(110,402)

For the year ended 31 December 2021

	Online prescription, circulation and marketing of pharmaceutical products HK$'000	Smart healthcare services platform HK$'000	Entertainment and media HK$'000	Healthcare and wellness services HK$'000	Total HK$'000
Segment assets	158,783	64,564	486,299	98,843	808,489
Unallocated assets					102,711
Total assets					911,200
Segment liabilities	124,409	32,265	1,051	72,760	230,485
Unallocated liabilities					21,815
Total liabilities					252,300
Other information:					
Additions of right-of-use assets (including acquisition of subsidiaries)					
– Allocated	3,482	11,811	–	–	15,293
– Unallocated					5,837
Purchases of property, plant and equipment (including acquisition of subsidiaries)					
– Allocated	2,091	1,668	–	2,777	6,536
– Unallocated					13
Purchases of intangible assets	–	4,829	–	–	4,829
Depreciation of right-of-use assets					
– Allocated	807	672	–	22,693	24,172
– Unallocated					4,612
Depreciation of property, plant and equipment					
– Allocated	99	38	–	613	750
– Unallocated					166
Amortization of completed film rights	–	–	138,596	–	138,596
Amortization of intangible assets	–	35	–	–	35
Reversal of impairment of programmes and films production in progress	–	–	(25)	–	(25)
Provision for impairment of film rights and films production in progress	–	–	3,393	–	3,393
Provision for impairment of trade receivables	88	–	105	–	193
Provision for impairment of deposits and other receivables					
– Allocated	–	–	1,000	364	1,364
– Unallocated					343

(b) Geographical information

The geographical information for the year ended 31 December 2022 and 2021 are as follows:

	Revenue from external customers		Non-current assets[Note]	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
The PRC	**1,564,234**	174,905	**82,418**	96,986
Hong Kong	**–**	–	**5,637**	7,585
Other countries	**127,827**	152,808	**–**	116,948
	1,692,061	327,713	**88,055**	221,519

Note: Non-current assets exclude interests in associates, financial assets at fair value through profit or loss, and non-current portion of prepayments, deposits and other receivables. The portion of film rights and films production in progress subject to global circulation is included in other countries.

(c) Revenue from major customers who have individually contributed 10% or more of the total revenue of the Group for the year ended 31 December 2022 are disclosed as follows:

	2022 HK$'000	2021 HK$'000
Customer A	**431,565**	—
Customer B	**173,461**	—

Note: Revenue from customers A and B did not exceed 10% of total revenue for the year ended 31 December 2021.

7 FINANCE COSTS, NET

	2022 HK$'000	2021 HK$'000
Finance cost		
Interest on bank and other borrowings	**548**	10
Interest on lease liabilities (Note 14)	**1,220**	2,270
Finance costs, net	**1,768**	2,280

8 LOSS BEFORE TAXATION

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

	2022 HK$'000	2021 HK$'000
Film production cost	**32,556**	33,358
Film promotion and distribution fee	**107,816**	17,038
Depreciation of property, plant and equipment (Note 13)	**4,145**	916
Depreciation of right-of-use assets (Note 14)	**33,863**	28,784
Auditor's remuneration		
– Audit services	**2,100**	2,100
– Non-audit services	**1,410**	1,410
Expense relating to short-term leases (Note 14)	**4,557**	4,582
Provision for impairment of film rights and films production in progress (Note 15)	**43,565**	3,393
Net provision for/(reversal of) impairment of financial assets		
– Programmes and films production in progress	**–**	(25)
– Trade receivables (Note 21)	**877**	193
– Deposits and other receivables (Note 22)	**10,152**	1,707
Amortization of completed film rights (Note 15)	**73,736**	138,596
Amortization of intangible assets (Note 16)	**1,452**	35
Costs of online prescription, circulation and marketing of pharmaceutical products	**270,561**	21,513
Costs of inventories sold (Note 23)	**796,905**	22,802
Food and beverage costs in relation to "Bayhood No. 9 Club" operation	**5,903**	8,659
Labour costs in relation to "Bayhood No. 9 Club" operation	**38,307**	38,580
Marketing and promotion expenses	**334,317**	15,626
Employee benefit expense:		
Directors' fees (Note 35)	***720***	*720*
Wages and salaries	***90,057***	*26,384*
Contributions to defined contribution pension schemes (Note a)	***17,306***	*2,658*
Share-based compensation expenses (Notes 29 and 33)	***17,541***	*29,013*
	125,624	58,775

Note a: During the year ended 31 December 2022, no forfeited contributions were utilized by the Group to reduce its contributions for the current year (2021: Nil).

9 TAXATION

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit in Hong Kong for the year (2021: same). Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

	2022 HK$'000	2021 HK$'000
Current income tax		
– Hong Kong profits tax	**–**	–
– PRC corporate income tax	**–**	–
Deferred income tax credit	**425**	418
	425	418

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

	2022 HK$'000	2021 HK$'000
Loss before taxation	**(317,023)**	(141,845)
Tax calculated at domestic tax rates applicable to the profit or loss in respective countries	**(62,236)**	(30,307)
Tax effects of an associate, results reported net of tax	**795**	814
Income not subject to tax	**(24,157)**	(27,311)
Expenses not deductible for tax purposes	**55,625**	44,288
Tax losses not recognized	**29,548**	12,098
Taxation	**(425)**	(418)

The weighted average applicable tax rate was 19.63% (2021: 21.37%). The change in weighted average applicable tax rate was mainly caused by a change in mix of profits earned/losses incurred.

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

	2022 HK$'000	2021 HK$'000
Current		
Deferred income tax assets to be recovered after less than 12 months	**771**	771
Deferred income tax liabilities to be recovered after less than 12 months	**(771)**	(771)
	–	–
Non-current		
Deferred income tax liabilities to be recovered after more than 12 months	**(525)**	(1,011)

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

	2022 HK$'000	2021 HK$'000
At the beginning of the year	**(1,011)**	(1,542)
Charged to the consolidated income statement	**425**	418
Exchange differences	**61**	113
At the end of the year	**(525)**	(1,011)

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

Deferred tax assets

	Film investment income HK$'000	Total HK$'000
As at 1 January 2021	771	771
Charged to the consolidated income statement	–	–
Exchange differences	–	–
As at 31 December 2021 and 1 January 2022	**771**	**771**
Charged to the consolidated income statement	**–**	**–**
Exchange differences	**–**	**–**
As at 31 December 2022	**771**	**771**

Deferred tax liabilities

	Unremitted earning HK$'000	Film investment income HK$'000	Total HK$'000
At 1 January 2021	(1,542)	(771)	(2,313)
Charged to the consolidated income statement	418	–	418
Exchange differences	113	–	113
At 31 December 2021 and 1 January 2022	**(1,011)**	**(771)**	**(1,782)**
Charged to the consolidated income statement	**425**	**–**	**425**
Exchange differences	**61**	**–**	**61**
At 31 December 2022	**(525)**	**(771)**	**(1,296)**

Deferred tax assets are recognized for tax losses carry-forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. As at 31 December 2022, the Group had unrecognized tax losses of approximately HK$375,854,000 (2021: approximately HK$348,240,000) to carry forward against future taxable income, subject to agreement by the Inland Revenue Department of Hong Kong and local tax bureau of the PRC. The increase of unrecognized tax losses was mainly attributable to addition of unrecognized tax loss of the PRC subsidiaries during the year ended 31 December 2022. No deferred taxation has been recognized in respect of the tax losses due to unpredictability of future profit streams. The tax losses of the PRC subsidiaries have an expiry period of five years, while the tax losses of Hong Kong subsidiaries have no expiry date.

The Group did not recognize deferred income tax assets of approximately HK$10,321,000 (2021: approximately HK$3,417,000) in respect of tax losses of approximately HK$41,283,000 (2021: approximately HK$13,669,000) that will expire in five years from the year incurred. The remaining tax losses of approximately HK$334,571,000 (2021: approximately HK$334,571,000) can be carried forward indefinitely to offset against future taxable income.

10 LOSS PER SHARE

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

	2022	2021
Weighted average number of ordinary shares in issue (thousands)	**13,543,887**	13,498,107
Loss attributable to equity holders of the Company (HK$'000)	**(269,980)**	(110,402)
Basic loss per share attributable to equity holders of the Company (HK cents per share)	**(1.99)**	(0.82)

During the year ended 31 December 2022, all of the share-based compensation had anti-dilutive effect to the Company and therefore, diluted loss per share is the same as basic loss per share as there were no dilutive potential ordinary shares for the year ended 31 December 2022 (2021: same).

11 DIVIDEND

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

12 EMPLOYEE BENEFIT EXPENSE

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include no (2021: Nil) director whose emoluments are reflected in the analysis shown in Note 35(a). The emoluments payable to the five (2021: five) individuals during the year are as follows:

	2022 HK$'000	2021 HK$'000
Basic salaries, housing allowance, share options, other allowances and benefits in kind	**15,562**	9,135
Contributions to pension schemes	**346**	94
Discretionary bonuses	**–**	585
	15,908	9,814

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands		
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**–**	2
HK$2,000,001 – HK$2,500,000	**2**	2
HK$3,000,001 – HK$3,500,000	**1**	–
HK$3,500,001 – HK$4,000,000	**1**	–
HK$4,000,001 – HK$4,500,000	**1**	–
	5	5

13 PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Machinery and equipment HK$'000	Furniture, computer and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2021						
Opening net book amount	–	508	935	–	322	1,765
Additions	–	139	3,134	1,590	1,534	6,397
Acquisition of subsidiaries (Note 33)	–	–	–	152	–	152
Disposal	–	(1)	(38)	–	(36)	(75)
Depreciation (Note 8)	–	(117)	(430)	(81)	(288)	(916)
Exchange differences	–	15	69	24	35	143
Closing net book amount	–	544	3,670	1,685	1,567	7,466
At 31 December 2021						
Cost	954	3,180	7,471	3,713	6,793	22,111
Accumulated depreciation	(954)	(2,636)	(3,801)	(2,028)	(5,226)	(14,645)
Net book amount	–	544	3,670	1,685	1,567	7,466
Year ended 31 December 2022						
Opening net book amount	**–**	**544**	**3,670**	**1,685**	**1,567**	**7,466**
Additions	**–**	**213**	**4,803**	**5,923**	**1,195**	**12,134**
Written-off	**–**	**(5)**	**(5)**	**–**	**(2)**	**(12)**
Disposal	**–**	**–**	**(554)**	**–**	**–**	**(554)**
Depreciation (Note 8)	**–**	**(147)**	**(1,527)**	**(1,994)**	**(477)**	**(4,145)**
Exchange differences	**–**	**(49)**	**(425)**	**(309)**	**(163)**	**(946)**
Closing net book amount	**–**	**556**	**5,962**	**5,305**	**2,120**	**13,943**
At 31 December 2022						
Cost	**899**	**3,070**	**10,692**	**9,235**	**7,334**	**31,230**
Accumulated depreciation	**(899)**	**(2,514)**	**(4,730)**	**(3,930)**	**(5,214)**	**(17,287)**
Net book amount	**–**	**556**	**5,962**	**5,305**	**2,120**	**13,943**

Depreciation expenses of approximately HK$3,904,000 (2021: HK$904,000), HK$65,000 (2021: HK$12,000) and HK$176,000 (2021: Nil) have been charged in administrative expenses, marketing and selling expenses and research and development expenses respectively.

14 LEASES

(i) Amounts recognized in the consolidated balance sheet

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

	2022 HK$'000	2021 HK$'000
Right-of-use assets		
Office	23,457	19,127
Operating assets of "Bayhood No. 9 Club"	16,090	40,605
Apartment	2,185	2,182
	41,732	61,914
Lease liabilities		
Current	10,854	42,157
Non-current	13,773	10,036
	24,627	52,193

Additions to the right-of-use assets (including acquisition of subsidiaries) during the year ended 31 December 2022 was HK$18,472,000 (2021: HK$21,130,000).

(ii) Amounts recognized in the consolidated income statement

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

	Notes	2022 HK$'000	2021 HK$'000
Depreciation charge of right-of-use assets			
Office		9,575	3,812
Operating assets of "Bayhood No. 9 Club"		22,008	22,692
Apartment		2,280	2,280
	8	33,863	28,784
Interest expense (included in finance costs)	7	1,220	2,270
Expense relating to short-term leases (included in administrative expenses)	8	4,557	4,582

(iii) The Group's leasing activities and how these are accounted for

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

(iv) Extension and termination options

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

15 FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

	2022 HK$'000	2021 HK$'000
Films production in progress (Note a)	**–**	116,949
	–	116,949

	Completed film rights HK$'000	Films production in progress HK$'000	Film rights investments HK$'000	Total HK$'000
Year ended 31 December 2021				
Opening net book amount	–	341,217	22,307	363,524
Film investment income	–	–	1,976	1,976
Transfer	139,311	(139,311)	–	–
Transfer to other receivables	–	(78,366)	–	(78,366)
Transfer to trade receivables	–	–	(24,898)	(24,898)
Amortization (Note 8)	(138,596)	–	–	(138,596)
Impairment (Note 8)	–	(3,393)	–	(3,393)
Return of investment	–	(4,269)	–	(4,269)
Exchange differences	(715)	1,071	615	971
Closing net book amount	–	116,949	–	116,949

	Completed film rights HK$'000	**Films production in progress HK$'000**	**Film rights investments HK$'000**	**Total HK$'000**
Year ended 31 December 2022				
Opening net book amount	**–**	**116,949**	**–**	**116,949**
Transfer	**116,949**	**(116,949)**	**–**	**–**
Amortization (Note 8)	**(73,736)**	**–**	**–**	**(73,736)**
Impairment (Note 8)	**(43,565)**	**–**	**–**	**(43,565)**
Exchange differences	**352**	**–**	**–**	**352**
Closing net book amount	**–**	**–**	**–**	**–**

Note (a):

As at 31 December 2022, the total cost of completed film rights amounting to approximately HK$381,796,000 (2021: HK$264,495,000) and accumulated amortization and impairment amounting to approximately HK$381,796,000 (2021: HK$264,495,000).

Amortization of completed film rights amounting to approximately HK$73,736,000 has been charged to the cost of sales in the consolidated income statement during the year ended 31 December 2022 (2021: HK$138,596,000).

For the year ended 31 December 2022, impairment of HK$43,565,000 (2021: impairment of HK$3,393,000) on completed film rights was recognized by using the latest available information and best estimate from the management and has been charged to cost of sales.

During the year, the Group has several joint operation arrangements to produce or distribute up to one (2021: seven) films. The Group has participating interests in 37.5% (2021: ranging from 20% to 50%) in these joint operations. As at 31 December 2022, the aggregate amounts of assets recognized in the consolidated balance sheet relating to the Group's interests in these joint operation arrangements are the completed film rights and films production in progress totally zero (2021: HK$116,949,000).

As at 31 December 2022, the Group does not have any licensing agreements for certain films production in progress with expected circulation timetables in the next year (2021: HK$116,949,000).

16 INTANGIBLE ASSETS

	Licenses and softwares	
	2022	2021
	HK$'000	HK$'000
As at 1 January	**4,793**	–
Additions	**1,598**	4,829
Amortization (Note 8)	**(1,452)**	(35)
Exchange differences	**(412)**	(1)
As at 31 December	**4,527**	4,793
As at 31 December		
Cost	**5,950**	4,829
Accumulated amortization	**(1,423)**	(36)
Net carrying amount	**4,527**	4,793

Amortization expenses of approximately HK$1,364,000 (2021: HK$35,000) and HK$88,000 (2021: Nil) have been charged in administrative expenses and marketing and selling expenses respectively.

17 GOODWILL

	2022	2021
	HK$'000	HK$'000
Cost and net carrying amount as at 1 January	**30,397**	–
Acquisition of subsidiaries	**–**	30,863
Exchange differences	**(2,544)**	(466)
Cost and net carrying amount as at 31 December	**27,853**	30,397

Impairment testing of goodwill

The above goodwill acquired through business combinations is allocated to the following CGU for impairment testing — Online prescription, circulation and marketing of pharmaceutical products. The recoverable amount of this CGU as at 31 December 2022 has been determined by fair value less costs of disposal calculation using discounted cash flow projections based on financial budgets covering a five-year period with the assistance of an independent valuer. The compound annual revenue growth rate is 28.91% (2021: 81.6%). The discount rate applied to the cash flow projections is 22.7% (2021: 20%). The discount rate for lack of marketability is 40% (2021: 30%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2021: 3%), which approximates the long-term average growth rate of the internet healthcare services in the PRC.

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

18 INTERESTS IN ASSOCIATES

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Interest in an associate accounted for using the equity method		
– Interest in HB Entertainment Co., Ltd.	**218,982**	236,912
Interest in an associate measured at fair value through profit or loss		
– Interest in Deep Sea Health Limited	**19,593**	24,160
	238,575	261,072

Set out below are the associates of the Group as at 31 December 2022 which, in the opinion of the directors, are material to the Group. These associates are private companies and there is no quoted market price available for their shares. There are no contingent liabilities relating to the Group's interests in associates, and there are no contingent liabilities of the associates themselves.

Details of interests in associates as at 31 December 2022 and 2021 are as follows:

Name	Place of establishment and kind of legal entity	% of ownership interest		Principal activities and place of operation
		2022	2021	
HB Entertainment Co., Ltd. ("HB Entertainment")	South Korea, limited liability company	**31%**	31%	Production of and investments in movies and TV drama series, provision of entertainer/artist management and agency services in South Korea
Deep Sea Health Limited ("DSH")	Hong Kong, limited company	**22%**	22%	Investment holding

(a) HB Entertainment Co., Ltd.

Summarized financial information

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

Summarized balance sheet

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Current		
Cash and cash equivalents	**65,980**	98,826
Other current assets (excluding cash)	**66,620**	99,000
Total current assets	**132,600**	197,826
Current financial liabilities (excluding trade payables)	**(123,714)**	(3,484)
Other current financial liabilities	**(70,896)**	(78,460)
Total current liabilities	**(194,610)**	(81,944)
Non-current		
Total non-current assets	**240,055**	95,822
Total non-current liabilities	**(14,250)**	(18,177)
Net assets	**163,795**	193,527
Non-controlling interests	**12,983**	10,348
Net assets attributable to the equity holders	**176,778**	203,875

Summarized statement of comprehensive income

	2022	2021
	HK$'000	HK$'000
Revenue	**33,283**	38,620
Loss before taxation	**(18,532)**	(21,097)
Taxation	**842**	194
Loss after taxation	**(17,690)**	(20,903)
Other comprehensive loss	**(9,407)**	(14,224)
Total comprehensive loss	**(27,097)**	(35,127)

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

Movements of interest in HB Entertainment are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	236,912	263,297
Share of results	(4,817)	(4,933)
Exchange differences	(13,113)	(21,452)
At 31 December	218,982	236,912

Reconciliation of summarized financial information

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

	2022 HK$'000	2021 HK$'000
Summarized financial information		
Opening net assets as at 1 January	203,875	239,002
Loss for the year	(17,690)	(20,903)
Exchange differences	(9,407)	(14,224)
Closing net assets as at 31 December	176,778	203,875
Interest in HB Entertainment	54,386	62,718
Goodwill	164,596	174,194
Carrying value	218,982	236,912

Impairment assessment for the interest in HB Entertainment

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

The recoverable amount as at 31 December 2022 and 2021 was determined by fair value less costs of disposal. Management determined that the average enterprise value-to-revenue ratio based on a pool of comparable listed companies within the same industry.

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

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

	As at 31 December	
	2022	2021
Unobservable inputs adopted in fair value less costs of disposal calculation		
Average enterprise value-to-revenue ratio	2.6	5.9
Discounts for lack of marketability	25%	25%
Significant influence premium	15%	15%

No provision for impairment of interest in HB Entertainment has been recognized for the year ended 31 December 2022 and 2021.

(b) Deep Sea Health Limited

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

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

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

Key assumptions adopted in the valuation were as follows:

	At as 31 December 2022
Unobservable inputs adopted	
Price-to-sales multiples	**2.5**
Discounts for lack of marketability	**25%**

The fair value of DSH as at 31 December 2021 was estimated to be approximate to the cost of acquisition as at the completion date as the same valuation of DSH was adopted by the other few investors completing acquisition of DSH equity interests at the same time. The fair value of DSH as at 31 December 2021 is estimated to be approximate to the fair value at the completion date given the short time period in between.

Summarized financial information

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

Summarized balance sheet

	As at 31 December	
	2022 HK$'000	2021 HK$'000
Current		
Cash and cash equivalents	**1,328**	1,447
Total current assets	**1,328**	1,447
Current financial liabilities	**(332)**	(307)
Total current liabilities	**(332)**	(307)
Non-current		
Total non-current assets	**161,279**	175,854
Total non-current liabilities	**–**	–
Net assets	**162,275**	176,994
Non-controlling interests	**(76,074)**	(82,808)
Net assets attributable to the equity holders	**86,201**	94,186

Summarized statement of comprehensive income

	2022 HK$'000	2021 HK$'000
Revenue	–	–
Loss before taxation	(14,340)	(14,968)
Taxation	–	–
Loss after taxation	(14,340)	(14,968)
Other comprehensive loss	–	(220)
Total comprehensive loss	(14,340)	(15,188)

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

Movements of interest in DSH are as follows:

	HK$'000
At 12 August 2021 (date of completion of acquisition of 21.88% equity interest in DSH) and 31 December 2021	24,160
At 1 January 2022	24,160
Fair value change through profit or loss	(4,567)
At 31 December 2022	19,593

19 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets as per consolidated balance sheet

	At amortized cost HK$'000	At fair value through profit or loss HK$'000	Total HK$'000
As at 31 December 2021			
Trade and bills receivables (Note 21)	63,327	–	63,327
Deposits and other receivables (excluding non-financial assets)	176,608	–	176,608
Cash and cash equivalents (Note 25)	148,552	–	148,552
Financial asset at fair value through profit or loss (Note 20)	–	1,428	1,428
Total	388,487	1,428	389,915
As at 31 December 2022			
Trade and bills receivables (Note 21)	**95,787**	**–**	**95,787**
Deposits and other receivables (excluding non-financial assets) (Note 22)	**91,465**	**–**	**91,465**
Restricted cash (Note 24)	**3,096**	**–**	**3,096**
Cash and cash equivalents (Note 25)	**38,300**	**–**	**38,300**
Financial asset at fair value through profit or loss (Note 20)	**–**	**17,110**	**17,110**
Total	**228,648**	**17,110**	**245,758**

Financial liabilities as per consolidated balance sheet

	At amortized cost HK$'000	Total HK$'000
As at 31 December 2021		
Trade payables (Note 26)	29,291	29,291
Other payables and accrued liabilities (excluding non-financial liabilities)	72,129	72,129
Lease liabilities (Note 14)	52,193	52,193
Total	153,613	153,613
As at 31 December 2022		
Trade payables (Note 27)	**94,182**	**94,182**
Other payables and accrued liabilities (excluding non-financial liabilities)	**48,739**	**48,739**
Bank and other borrowings (Note 26)	**32,740**	**32,740**
Lease liabilities (Note 14)	**24,627**	**24,627**
Total	**200,288**	**200,288**

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2022 **HK$'000**	2021 HK$'000
Current:		
Put option		
– Deep Sea Health Limited (Note a)	**–**	1,428
Non-current		
Investment in unlisted equity securities		
– Beijing Yi Yao Liang Xin (Note b)	**14,553**	–
Put option		
– Deep Sea Health Limited (Note a)	**2,557**	–
	17,110	–

Note:

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

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

	As at 31 December	
	2022	2021
Unobservable inputs adopted		
Expected volatility	**57.63%**	63.05%
Expected dividend	**0.00%**	0.00%
Exercise probability	**25.00%**	25.00%
Risk-free interest rate	**2.27%**	2.19%

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

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

21 TRADE AND BILLS RECEIVABLES

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

	As at 31 December	
	2022 **HK$'000**	2021 HK$'000
0–3 months	**82,887**	61,360
4–6 months	**6,432**	2,160
7–9 months	**2,405**	–
10–12 months	**–**	–
Over 1 year	**13,435**	8,322
	105,159	71,842
Less: Provision for impairment	**(9,372)**	(8,515)
	95,787	63,327

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

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

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

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
At 1 January	**8,515**	8,274
Provision for impairment (Note 8)	**877**	193
Exchange differences	**(20)**	48
At 31 December	**9,372**	8,515

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

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

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

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

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
HK$	**3,186**	6,938
RMB	**92,601**	54,259
KRW	**–**	2,130
	95,787	63,327

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Prepayments	**11,965**	36,422
Deposits and other receivables	**107,134**	201,552
	119,099	237,974
Less: Provision for impairment of deposits and other receivables	**(15,668)**	(24,944)
	103,431	213,030
Less: Non-current portion	**(3,846)**	(1,803)
	99,585	211,227

The balances of prepayments, deposits and other receivables mainly comprised (i) prepayments, deposits and other receivables for the operations of online prescription, circulation and marketing of pharmaceutical products and smart healthcare services platform; (ii) prepayments in relation to the leasing of operating assets of "Bayhood No. 9 Club"; and (iii) other receivables arising from the refund of previous investments in certain film rights and film production in progress.

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

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
At 1 January	**24,944**	23,097
Provision for impairment (Note 8)	**10,152**	1,707
Written off	**(19,558)**	–
Exchange differences	**130**	140
At 31 December	**15,668**	24,944

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

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
HK$	**4,100**	20,000
RMB	**99,331**	193,030
	103,431	213,030

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

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

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

23 INVENTORIES

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Finished goods	**4,832**	2,272

The cost of inventories sold of approximately HK$796,905,000 (2021: HK$22,802,000) was recognized as expense and included in "Cost of sales" in the consolidated income statement for the year ended 31 December 2022.

No provision of impairment of inventories was recognized for the year ended 31 December 2022 (2021: same).

24 RESTRICTED CASH

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Pledged bank deposits	**3,096**	–

As at 31 December 2022, the Group had bank balance of approximately HK$3,096,000 which was restricted as to use and mainly to be utilised for the purpose of potential settlement for a litigation claim.

The carrying amounts of pledged bank deposits approximate their fair values and are denominated in RMB.

25 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022 **HK$'000**	2021 HK$'000
Cash and bank balances	**38,300**	148,552
Denominated in:		
HK$	**2,874**	10,862
RMB	**31,420**	127,753
US$	**4,006**	9,937
	38,300	148,552
Maximum exposure to credit risk	**38,245**	148,429

The Group's cash and bank balances of approximately HK$31,405,000 and HK$127,616,000 as at 31 December 2022 and 2021, respectively, were denominated in RMB and held in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

26 BANK AND OTHER BORROWINGS

	As at 31 December	
	2022 **HK$'000**	2021 HK$'000
Current:		
Bank borrowing (Note a)	**5,605**	–
Other borrowings (Note b)	**27,135**	–
	32,740	–

As at 31 December 2022, carrying amounts of bank and other borrowings approximated their fair values and were denominated in RMB.

Note a: Bank borrowing is secured, interest bearing at 4.35% and repayable within 1 year. As at 31 December 2022, the bank borrowing was secured by corporate guarantee provided by a state-owned entity and personal guarantee of a senior management in favour of the Group.

Note b: Other borrowings are unsecured and repayable within 1 year. Out of the total of approximately HK$27,135,000, HK$4,746,000 is bearing at a weighted average rate of 9.71% per annum. The remaining borrowings are interest-free and the Group has unconditional rights to extend the maturity date for one year.

27 TRADE PAYABLES

The aging analysis of trade payables based on the invoice date were as follows:

	2022 **HK$'000**	2021 HK$'000
0–3 months	**93,903**	28,986
Over 6 months	**279**	305
	94,182	29,291

The carrying amounts of trade payables of the Group are denominated in RMB.

The carrying amounts of trade payables approximate their fair values.

28 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUED LIABILITIES

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Current liabilities:		
Other payables and accrued liabilities (Note i)	**78,265**	88,595
Film investment fund received, net	**–**	540
	78,265	89,135
Contract liabilities (Note ii)	**8,922**	80,670
	87,187	169,805

Notes:

(i) Other payables and accrued liabilities mainly represented accrued operating expenses and PRC other tax payables.

(ii) Contract liabilities represent advanced payments received from the customers for services that have not been transferred to the customers. The balance was mainly arising from the business in relation to online prescription, circulation and marketing of pharmaceutical products.

The carrying amounts of other payables and accrued liabilities approximate their fair values.

The carrying amounts of the Group's contract liabilities, other payables and accrued liabilities were denominated in the following currencies:

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
HK$	**5,402**	2,387
RMB	**81,785**	166,878
KRW	**–**	540
	87,187	169,805

29 SHARE CAPITAL

	Ordinary shares of HK$0.02 each		Preference shares of HK$0.01 each		
	No. of shares '000	HK$'000	No. of shares '000	HK$'000	HK$'000
Authorized:					
At 31 December 2021 and 31 December 2022 (Note a)	150,000,000	3,000,000	240,760	2,408	3,002,408
Issued and fully paid:					
At 1 January 2022	**13,498,107**	**269,962**	**–**	**–**	**269,962**
Issuance of vested share award	62,500	1,250	–	–	1,250
Acquisition of subsidiaries (Note 33)	24,732	495	–	–	495
At 31 December 2022	**13,585,339**	**271,707**	**–**	**–**	**271,707**
At 1 January 2021 and 31 December 2021	13,498,107	269,962	–	–	269,962

Note:

(a) Authorized share capital

The total number of authorized shares includes ordinary shares and preference shares. 150,000,000,000 (2021: 150,000,000,000) shares are ordinary shares with par value of HK$0.02 (2021: HK$0.02) per share. 240,760,000 (2021: 240,760,000) shares are preference shares with par value of HK$0.01 per share (2021: HK$0.01). All issued shares are fully paid.

Share Option

The previous share option scheme adopted by the Company on 4 June 2012 (the "Previous Share Option Scheme") for a period of 10 years had expired on 3 June 2022. Upon the termination of the Previous Share Option Scheme, no further share options could be granted by the Company under such scheme. As the Previous Share Option Scheme had expired, the Company adopted a new share option scheme (the "New Share Option Scheme") on 21 June 2022, pursuant to a resolution passed on the extraordinary general meeting of the Company on the same date.

Pursuant to the New Share Option Scheme, the Company can grant options to Eligible Participant(s) (as defined in the New Share Option Scheme) for a consideration of HK$1.00 for each grant payable by the Eligible Participant(s) to the Company. The total number of the shares issued and to be issued upon exercise of options granted to each Eligible Participant(s) (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue.

Pursuant to a resolution passed on 21 June 2022, the Company can further grant up to 1,356,060,657 share options to the Eligible Participant(s).

Subscription price in relation to each option pursuant to the New Share Option Scheme shall not be less than the higher of (i) the closing price of the shares as stated in Stock Exchange's daily quotation sheets on the date on which the option is offered to a Eligible Participant(s); or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; or (iii) the nominal value of the shares of the Company. There shall be no minimum holding period for the vesting or exercise of the options and the options are exercisable within the option period as determined by the Board of Directors of the Company. No share-based compensation expense has been charged to the consolidated income statement accordingly (2021: Nil).

During the year ended 31 December 2022, no share options were granted, exercised, cancelled or lapsed, and there was no outstanding option under the New Share Option Scheme as at 31 December 2022 (2021: Nil).

Share award scheme

On 20 August 2021 (the "Adoption Date"), the Group adopted a share award scheme ("Share Award Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. An award granted under the Share Award Scheme will take the form of a Restricted Share Unit ("RSU"), being a contingent right to receive shares of the Company which are awarded under the Share Award Scheme.

All grants of RSUs to the Company's directors (including an executive director, a non-executive and an independent non-executive director) must first be approved by all the members of the remuneration committee of the Company, or in the case where the grant is proposed to be made to any member of the remuneration committee, by all of the other members of the remuneration committee. All grants of RSUs to connected persons shall be subject to compliance with the requirements of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules.

During the year ended 31 December 2022, 77,500,000 shares were granted to selected participants pursuant to the Share Award Scheme (2021: Nil). 15,000,000 shares were lapsed because the vesting conditions had not been fulfilled. 62,500,000 (2021: Nil) shares, which par value amounted to HK$1,250,000 (2021: Nil) were vested and issued, subject to a lock-up period of one year (25% of vested shares), two years (25% of vested shares), three years (25% vested shares) and four years (25% of vested shares) respectively.

For the year ended 31 December 2022, share-based compensation expense recognized in the consolidated income statement for share awards was approximately HK$3,054,000 (2021: Nil).

The fair value of the awarded shares of HK$0.142 per share was calculated based on the closing price of the Shares at the date of grant.

30 RESERVES

	Share premium HK$'000 (Note ii)	Merger reserve HK$'000 (Note i)	Capital redemption reserve HK$'000 (Note iii)	Currency translation reserve HK$'000 (Note iv)	Shares held for share award scheme HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2021	1,213,484	860,640	1,206	(14,179)	–	–	(1,554,521)	506,630
Loss for the year	–	–	–	–	–	–	(110,402)	(110,402)
Share-based compensation	–	–	–	–	–	11,254	–	11,254
Currency translation differences								
– Group	–	–	–	(639)	–	–	–	(639)
– Associate	–	–	–	(21,452)	–	–	–	(21,452)
Balance at 31 December 2021	1,213,484	860,640	1,206	(36,270)	–	11,254	(1,664,923)	385,391

	Share premium HK$'000 (Note ii)	**Merger reserve HK$'000 (Note i)**	**Capital redemption reserve HK$'000 (Note iii)**	**Currency translation reserve HK$'000 (Note iv)**	**Shares held for share award scheme HK$'000**	**Other reserves HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**
Balance at 1 January 2022	**1,213,484**	**860,640**	**1,206**	**(36,270)**	**–**	**11,254**	**(1,664,923)**	**385,391**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(269,980)**	**(269,980)**
Share-based compensation	**–**	**–**	**–**	**–**	**–**	**14,620**	**–**	**14,620**
Issuance of shares for vested share awards	**–**	**–**	**–**	**–**	**(1,250)**	**–**	**–**	**(1,250)**
Acquisition of subsidiaries	**13,244**	**–**	**–**	**–**	**–**	**(13,739)**	**–**	**(495)**
Currency translation differences								
– Group	**–**	**–**	**–**	**1,320**	**–**	**–**	**–**	**1,320**
– Associate	**–**	**–**	**–**	**(13,113)**	**–**	**–**	**–**	**(13,113)**
Balance at 31 December 2022	**1,226,728**	**860,640**	**1,206**	**(48,063)**	**(1,250)**	**12,135**	**(1,934,903)**	**116,493**

Notes:

(i) The merger reserve of the Group derives from the difference between the nominal value of the Company's shares issued to acquire the issued share capital of a group company pursuant to the Group reorganization in 2002, and the consolidated net asset value of the group company so acquired. Under the Companies Law (2003 Revision) (Cap. 22) of the Cayman Islands, the merger reserve is distributable to shareholders under certain prescribed circumstances.

(ii) The share premium of the Company represents the excess of the fair value of the issued shares over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law (2003 Revision) (Cap. 22) of the Cayman Islands, a company may make distributions to its members out of the share premium in certain circumstances.

(iii) During the year ended 31 December 2008, the Company repurchased 120,600,000 issued ordinary shares on the Stock Exchange. These repurchased shares were cancelled immediately upon repurchase. The total amount paid to acquire these issued ordinary shares of HK$4,609,000 were deducted from shareholders' equity. A sum equivalent to the nominal value of the repurchased shares amounting to HK$1,206,000 has been transferred from accumulated losses to capital redemption reserve.

(iv) The Group has certain investments in subsidiaries and associate with RMB/KRW as their functional currency, which is subjected to foreign currency translation risk. Fluctuation in such currencies would be reflected in the movement of the translation reserve. Fluctuation of currency translation differences in other comprehensive income in current year was resulted from revaluation of RMB/KRW against HK$ and reclassification to profit or loss upon deregistration of a subsidiary of the Group.

31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to cash used in operations

	2022 HK$'000	2021 HK$'000
Loss before taxation	**(317,023)**	(141,845)
Adjustments for:		
– Share of results of an associate	**4,817**	4,933
– Interest income	**(1,213)**	(1,484)
– Interest revenue calculated using the effective interest method	**–**	(1,992)
– Depreciation of property, plant and equipment	**4,145**	916
– Depreciation of right-of-use assets	**33,863**	28,784
– (Gain)/loss on disposal of property, plant and equipment	**(4)**	13
– Write off of property, plant and equipment	**12**	1
– Amortization of completed film rights	**73,736**	138,596
– Amortization of intangible assets	**1,452**	35
– Provision for impairment of film rights and films production in progress	**43,565**	3,393
– Provision for impairment of trade receivables	**877**	193
– Provision for impairment of deposits and other receivables	**10,152**	1,707
– Reversal of impairment of programmes and films production in progress	**–**	(25)
– Gain on early termination of lease	**573**	–
– Fair value loss/(gain) on financial assets at fair value through profit or loss, net	**4,567**	(1,921)
– Fair value change on film investment fund received	**–**	951
– Fair value change on interest in an associate measured at fair value through profit or loss	**(1,342)**	–
– Finance costs/(income), net	**1,768**	2,280
– Share-based compensation expenses	**17,541**	29,013
	(122,514)	63,547
Changes in working capital:		
– Increase in inventories	**(2,875)**	(2,272)
– Increase in trade receivables	**(39,609)**	(39,408)
– Increase in prepayments, deposits and other receivables	**79,271**	(91,676)
– Receipt of investment return from film rights and films productions in progress	**–**	4,269
– Receipt of investment return from financial asset at fair value through profit or loss	**–**	967
– Receipt of investment capital of programmes and films production in progress	**–**	23,602
– Increase in other payables and accrued liabilities	**(3,836)**	39,817
– Increase in trade payables	**70,352**	28,867
– Increase in contract liabilities	**(67,785)**	80,670
– Increase in restricted cash	**(3,096)**	–
Cash (used in)/generated from operations	**(90,092)**	108,383

(b) Reconciliation of liabilities arising from financing activities

	Borrowings HK$'000	Leases HK$'000	Total HK$'000
At 1 January 2021	–	67,749	67,749
Acquisition of subsidiaries (Note 33)	1,197	1,896	3,093
Cash flows – principal elements of borrowings/lease	(1,197)	(38,399)	(39,596)
Acquisition – lease	–	19,234	19,234
Foreign exchange adjustments	–	(557)	(557)
Finance costs, net (Note 7)	–	2,270	2,270
At 31 December 2021	–	52,193	52,193
At 1 January 2022	**–**	**52,193**	**52,193**
Cash flows – principal elements of borrowings/leases	**33,784**	**(44,228)**	**(10,444)**
Cash flows – payment of borrowing interests	**(144)**	**–**	**(144)**
Acquisition – lease	**–**	**18,472**	**18,472**
Foreign exchange adjustments	**(1,448)**	**(3,030)**	**(4,478)**
Finance costs, net (Note 7)	**548**	**1,220**	**1,768**
At 31 December 2022	**32,740**	**24,627**	**57,367**

32 RELATED PARTY TRANSACTIONS

(a) Related party transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following related party transactions:

Name of party	Nature of transaction	**31 December 2022 HK$'000**	31 December 2021 HK$'000
華誼兄弟電影有限公司 ("Huayi Brothers Film Co., Ltd")* (Note)	Interest revenue calculated using effective interest method	**–**	620
	Film investment income	**23,136**	1,912
	Film exhibition and license fee income	**–**	971
		23,136	3,503

* English name is made for identification purpose only.

Note: Huayi Brothers Film Co., Ltd is the subsidiary of Huayi Brothers Media Corporation, a former substantial shareholder of the Company. The above transactions were conducted in the normal course of business of the Group and charged at terms mutually agreed by the parties concerned.

(b) Related party balances

	31 December 2022 HK$'000	31 December 2021 HK$'000
Film rights and films production in progress		
– HBI	**–**	116,949
Trade receivables		
– Huayi Brothers Film Co., Ltd	**6,351**	24,899
Other borrowings (unsecured and non-interest bearing)		
– Mr. YUEN Hoi Po, an executive director and CEO of the Company	**16,792**	–
	23,143	141,848

Note: WR Brothers Inc. is the subsidiary of Huayi Brothers Media Corporation, a substantial shareholder of the Company.

(c) Key management compensation

Remuneration for key management personnel, including amounts paid to the Company's directors, is disclosed in Note 35 and certain of the highest paid employees is disclosed in Note 12.

33 ACQUISITION OF PINGTAN XINBAN CLINIC COMPANY LIMITED

On 7 April 2021, the Group entered into the Capital Increase and Acquisition Agreement with Pingtan Xinban Clinic Company Limited ("PTXB", the "Target Company") and completed an acquisition of the 51% equity interest in PTXB and its subsidiaries (together, the "Target Group") for a total cash consideration of RMB40,000,000 (equivalent to approximately HK$47,877,000) on 29 April 2021.

Upon closing of the said transaction, the Group acquired controls over the Target Group which became subsidiaries of the Group.

On 12 July 2022, the Company and other relevant parties have entered into the third supplemental agreement to the Capital Increase and Acquisition Agreement (as supplemented by the Second Supplemental Agreement) (the "Third Supplemental Agreement").

The following are the amendments in the Third Supplemental Agreement:

First Performance Target

First Performance Target shall mean: at any time within a period from 1 January to 31 December of the same calendar year, or a period from 1 July of a year to 30 June of the next year (a "Reference Year") after the Completion Date and ending no later than 30 June 2024, (i) the aggregate amount of the revenue of the Target Group reaches RMB150,000,000 as shown in the Target Group's consolidated management accounts reported in accordance with Hong Kong Financial Reporting Standards, (ii) out of the said revenue, the revenue generated from prescription circulation businesses shall be no less than RMB105,000,000, (iii) the net profits after taxation of the Target Group reaches RMB20,000,000 as shown in the Target Group's consolidated management accounts reported in accordance with Hong Kong Financial Reporting Standards, (iv) there exists no circumstances which would render any members of the Target Group unable to continue its operation, and (v) the aforesaid (i), (ii), (iii) and (iv) being confirmed by the Investor in writing ("Revised First Performance Target").

Second Performance Target

Second Performance Target shall mean: at any time within a Reference Year after the Completion Date and ending no later than 30 June 2025, (i) the aggregate amount of the revenue of the Target Group reaches RMB600,000,000 as shown in the Target Group's consolidated management accounts reported in accordance with Hong Kong Financial Reporting Standards, (ii) out of the said revenue, the revenue generated from prescription circulation businesses shall be no less than RMB420,000,000, (iii) the net profits after taxation of the Target Group reaches RMB40,000,000 as shown in the Target Group's consolidated management accounts reported in accordance with Hong Kong Financial Reporting Standards, (iv) there exists no circumstances which would render any members of the Target Group unable to continue its operation, and (v) the aforesaid (i), (ii), (iii) and (iv) being confirmed by the Investor in writing ("Revised Second Performance Target").

For the purpose of the Revised First Performance Target and the Revised Second Performance Target, "revenue generated from prescription circulation businesses" shall mean the net revenue legally obtained and generated from businesses related to prescription circulation businesses such as platform services, online diagnosis, referral, consultation and triage, medication management services, health management services, and sales sharing with pharmacy suppliers, etc.

For the purpose of determining the Revised First Performance Target, the Revised Second Performance Target and the Guaranteed Profits, the net profits after taxation referred therein shall exclude items recorded as "share-based compensation expenses" or similar items, arising from cash investment amounts and consideration in the form of shares paid or to be paid by the Company or its subsidiaries pursuant to the Capital Increase and Acquisition Agreement as supplemented by the Second Supplemental Agreement and the Third Supplemental Agreement, as shown in the Target Group's consolidated management accounts reported in accordance with Hong Kong Financial Reporting Standards.

Payment Terms in relation to the First Consideration Shares and the Second Cash Investment

(a) the First Consideration Shares shall be issued to the founding shareholders in proportion to their shareholding in the Platform Co immediately after the completion of the Corporate Restructuring within one month after the date of the Third Supplemental Agreement. Accordingly, a total of 24,732,032 new shares, at the price of approximately HK$0.56 per share, of the Company have been issued to the founding shareholders in August 2022; (b) HKD or USD equivalent of RMB39,000,000 shall be paid by the Company to the Platform Co by instalments according to actual circumstances from the date of the Third Supplemental Agreement up to the satisfaction of the Revised First Performance Target; and (c) HKD or USD equivalent of RMB11,000,000 shall be paid by the Company to the Platform Co within 10 Working Days after the satisfaction of the Revised First Performance Target.

Save for the amendments as stated above, all other principal terms and conditions of the Capital Increase and Acquisition Agreement as supplemented by the Second Supplemental Agreement (including but not limited to the terms concerning the determination of the number and issue price of the Consideration Shares, lock-up undertakings agreed by the Founding Shareholders, the amount of the First Cash Investment, the Second Cash Investment and the Third Cash Investment, the obligations in relation to the Further Acquisition, the Guaranteed Profits and the adjustments to the consideration for the Further Acquisition in case of failure to satisfy the Guaranteed Profits) shall remain in full force and effect. For the year ended 31 December 2022, share-based compensation expense recognized in the consolidated income statement was approximately HK$14,487,000 (2021: HK$26,603,000).

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Assets		
Non-current assets		
Investment in subsidiaries	**57,386**	39,010
Investment in associates	**274,878**	279,445
Loans advanced to subsidiaries	**–**	–
Financial assets at fair value through profit or loss	**2,557**	–
	334,821	318,455
Current assets		
Loans advanced to subsidiaries	**167,984**	412,205
Prepayments, deposits and other receivables	**942**	1,192
Financial asset at fair value through profit or loss	**–**	1,428
Cash and cash equivalents	**2,536**	5,922
	171,462	420,747
Total assets	**506,283**	739,202
Equity and liabilities		
Equity		
Share capital	**271,707**	269,962
Reserves (Note (a))	**229,453**	466,854
Total equity	**501,160**	736,816
Liabilities		
Current liabilities		
Other payables and accrued liabilities	**5,123**	2,386
Total liabilities	**5,123**	2,386
Total equity and liabilities	**506,283**	739,202

The balance sheet of the Company was approved by the Board of Directors on 29 March 2023 and were signed on its behalf.

YUEN Hoi Po
Director

CHENG Wu
Director

NOTE (a) RESERVE MOVEMENT OF THE COMPANY

	Share premium HK$'000	Capital redemption reserve HK$'000	Shares held for share award scheme HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	1,213,484	1,206	–	–	(701,775)	512,915
Loss for the year	–	–	–	–	(72,900)	(72,900)
Contribution by and distribution to owners of the Company recognised directly in equity:						
— Share-based compensation	–	–	–	26,839	–	26,839
At 31 December 2021	1,213,484	1,206	–	26,839	(774,675)	466,854
At 1 January 2022	**1,213,484**	**1,206**	**–**	**26,839**	**(774,675)**	**466,854**
Loss for the year	**–**	**–**	**–**	**–**	**(254,032)**	**(254,032)**
Issuance of consideration shares for acquisition	**13,244**	**–**	**–**	**–**	**–**	**13,244**
Contribution by and distribution to owners of the Company recognised directly in equity:						
— Share awards	**–**	**–**	**(1,250)**	**3,054**	**–**	**1,804**
— Share-based compensation	**–**	**–**	**–**	**1,583**	**–**	**1,583**
At 31 December 2022	**1,226,728**	**1,206**	**(1,250)**	**31,476**	**(1,028,707)**	**229,453**

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each of the Directors and chief executive of the Company for the year ended 31 December 2022 is set out as follows:

Name	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Retirement benefit contributions HK$'000	Total HK$'000
Director and chief executive							
Mr. WANG Zhongjun (Note i)	–	–	–	–	–	–	–
Directors							
Mr. CHENG Wu	–	–	–	–	–	–	–
Mr. YUEN Hoi Po	–	–	–	–	–	–	–
Dr. WONG Yau Kar David	240	–	–	–	–	–	240
Mr. YUEN Kin	240	–	–	–	–	–	240
Mr. CHU Yuguo	240	–	–	–	–	–	240
	720	–	–	–	–	–	720

The remuneration of each of the Directors and chief executive of the Company for the year ended 31 December 2021 is set out as follows:

Name	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Retirement benefit contributions HK$'000	Total HK$'000
Director and chief executive							
Mr. WANG Zhongjun (Note i)	–	–	–	–	–	–	–
Directors							
Mr. CHENG Wu	–	–	–	–	–	–	–
Mr. YUEN Hoi Po	–	–	–	–	–	–	–
Dr. WONG Yau Kar David	240	–	–	–	–	–	240
Mr. YUEN Kin	240	–	–	–	–	–	240
Mr. CHU Yuguo	240	–	–	–	–	–	240
	720	–	–	–	–	–	720

Note:

(i) Resigned on 30 March 2021

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2022 (2021: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2022, the Company does not pay consideration to any third parties for making available directors' services (2021: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2022, there are no loans, quasi-loans and other dealing arrangements entered into by the Company or subsidiary undertaking of the Company in favour of directors, controlled bodies corporate by and connected entities with such directors (2021: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

There are no significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2022 or at any time during the year then ended (2021: Nil).

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists out the subsidiaries of the Company as at 31 December 2022 and 2021 which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Place of incorporation/ establishment and kind of legal entity	Particulars issued share capital/ registered capital	Interest held 2022	Interest held 2021	Principal activities and place of operation
Anglo Alliance Co., Ltd (1)	British Virgin Islands, limited company	US$2 ordinary	100%	100%	Investment holding
北京華億浩歌傳媒文化有限公司 Beijing Hua Yi Hao Ge Media Culture Co., Ltd. (6)	PRC, limited liability company	RMB136,651,563	100%	100%	Investment holding and licensing of films and TV drama in the PRC
北京華億千思廣告有限公司 Beijing Hua Yi Qian Si Advertising Company Limited (6)	PRC, limited liability company	RMB5,000,000	100%	100%	Advertising agency in the PRC
Horizon Partner Holdings Limited (1)	British Virgin Islands, limited company	US$1 ordinary	100%	100%	Investment holding
中國9號健康管理有限公司 China Jiuhao Health Management Limited (2)	Hong Kong, limited company	HK$1 ordinary	100%	100%	Investment holding
華誼騰訊娛樂國際有限公司 Huayi Tencent Entertainment International Limited (1)(2)	Hong Kong, limited company	HK$40,000,000	100%	100%	Investment holding and licensing of films in Hong Kong
China Jiuhao (Haikou) Investment Company Limited (1)	British Virgin Islands, limited company	US$1 ordinary	100%	100%	Investment holding
中國9號健康產業（海口）有限公司 China Jiuhao Health Industry Corporation (Haikou) Limited (2)(6)	Hong Kong, limited company	HK$1 ordinary	100%	100%	Investment holding
海口九號酒店管理有限公司 Haikou Jiuhao Hotel Management Company Limited (6)	PRC, limited liability company	HK$150,000	100%	100%	Hotel management and provision of healthcare and wellness services in the PRC
Maximum Gains Ventures Limited (1)	Cayman Islands, limited company	HK$10	51%	51%	Investment Holding
騰海健康有限公司 Robust Ocean Limited	Hong Kong, limited company	HK$1 ordinary	51%	51%	Investment holding
北京騰海博業健康科技有限公司 Beijing Tenghai Boye Health Technology Co., Ltd (6)	PRC, limited liability company	RMB20,000	51%	51%	Investment Holding
柏海投資有限公司 Prowess Investment Limited (1)	Hong Kong, limited company	HK$1	100%	100%	Investment Holding
平潭心伴門診部有限公司 Pingtan Xinban Clinic Company Limited (5)(6)	PRC, limited liability company	RMB73,490,196	51%	51%	Provision of medical services in the PRC

Name	Place of incorporation/ establishment and kind of legal entity	Particulars issued share capital/ registered capital	Interest held 2022	Interest held 2021	Principal activities and place of operation
陝西醫智諾信息科技有限公司 Shaanxi Yizhinuo Information Technology Co., Ltd (5)(6)	PRC, limited liability company	RMB30,714,700	**51%**	51%	Operation of "Yizhinuo" platform for online prescription, circulation and marketing of pharmaceutical products in the PRC
海南德鑫科技有限公司 Hainan Dexin Technology Co., Ltd (5)(6)	PRC, limited liability company	RMB2,000,000	**51%**	51%	Inactive
山西醫智諾信息技術有限公司 Shanxi Yizhinuo Information Technology Co., Ltd (5)(6)	PRC, limited liability company	RMB1,000,000	**26%**	26%	Operation of "Yizhinuo" platform for online prescription, circulation and marketing of pharmaceutical products in the PRC
河南醫智諾信息科技有限公司 Henan Yizhinuo Information Technology Co., Ltd (5)(6)	PRC, limited liability company	RMB10,000,000	**26%**	26%	Operation of "Yizhinuo" platform for online prescription, circulation and marketing of pharmaceutical products in the PRC
河南醫韻諾信息科技有限公司 Henan Medical Yunnuo Information Technology Co., Ltd (3)(5)(6)	PRC, limited liability company	RMB1,000,000	**–**	26%	Operation of "Yizhinuo" platform for online prescription, circulation and marketing of pharmaceutical products in the PRC
廣州醫智諾信息科技有限公司 Guangzhou Yizhinuo Information Technology Co., Ltd (4)(5)(6)	PRC, limited liability company	RMB1,000,000	**–**	26%	Operation of "Yizhinuo" platform for online prescription, circulation and marketing of pharmaceutical products in the PRC
Meerkat Health Holdings Limited (1)	Cayman Islands, limited company	HK$200	**60%**	60%	Investment Holding
柏悅健康有限公司 Heartily Health Limited (2)	Hong Kong, limited company	HK$1	**60%**	60%	Investment Holding
杭州悅響健康科技有限公司 Hangzhou Yuexiang Health Technology Co., Ltd (6)	PRC, limited liability company	RMB50,000,000	**60%**	60%	Investment holding and provision of management services for group companies in the PRC
杭州火烈鳥醫藥有限公司 Hangzhou Flamingo Pharmaceutical Co., Ltd (6)	PRC, limited liability company	RMB20,000,000	**60%**	60%	Trading and supply chain management of pharmaceutical products in the PRC

Name	Place of incorporation/ establishment and kind of legal entity	Particulars issued share capital/ registered capital	Interest held 2022	2021	Principal activities and place of operation
杭州猛獁象健康管理有限公司 Hangzhou Mammoth Health Management Co., Ltd (6)	PRC, limited liability company	RMB10,000,000	**60%**	60%	Operation of platform for medical and healthcare services in the PRC
安徽火烈鳥醫藥有限公司 Anhui Flamingo Pharmaceutical Co., Ltd (6)	PRC, limited liability company	RMB20,000,000	**60%**	60%	Trading and supply chain management of pharmaceutical products in the PRC
杭州獴哥健康科技有限公司 Hangzhou Meerkat Health Technology Co., Ltd (5)(6)	PRC, limited liability company	RMB20,000,000	**60%**	60%	Investment holding and provision of management services for group companies in the PRC
杭州白鱀豚信息科技有限公司 Hangzhou Baiji Dolphin Information Technology Co., Ltd (5)(6)	PRC, limited liability company	RMB1,000,000	**60%**	60%	Information technology and system development in the PRC
杭州五吉熊信息技術服務有限公司 Hangzhou Wujixiong Information Technology Service Co., Ltd (5)(6)	PRC, limited liability company	RMB10,000,000	**60%**	60%	Information technology and system development in the PRC
杭州覓清照健康管理有限公司 Hangzhou Miqingzhao Health Management Co., Ltd (5)(6)	PRC, limited liability company	RMB2,000,000	**60%**	–	Provision of healthcare management and consultancy services in the PRC
紅珊瑚綜合門診部(天津)有限公司 Red Coral Comprehensive Outpatient Department (Tianjin) Co., Ltd (5)(6)	PRC, limited liability company	RMB5,000,000	**60%**	–	Provision of medical services in the PRC
杭州碧眼狐狸管理諮詢有限公司 Hangzhou Biyan Fox Management Consulting Co., Ltd (5)(6)	PRC, limited liability company	RMB1,000,000	**60%**	–	Provision of management consultancy services in the PRC

(1) Shares held directly by the Company.

(2) The statutory financial statements of these companies for the year ended 31 December 2022 are audited by PricewaterhouseCoopers.

(3) Deregistration completed during the year ended 31 December 2022.

(4) Disposal completed during the year ended 31 December 2022.

(5) The Company does not have legal direct or indirect ownership in the equity of these entities. However, under certain contractual agreements (including a power of attorney agreement, loan agreement, equity option agreement, equity interest pledge agreement and an exclusive technical consulting and service agreement) entered into with the direct or ultimate registered owners of these entities, the Company, through its indirectly wholly owned subsidiary, controls these entities by way of controlling the voting rights, governing the financial and operating policies, appointing or removing the majority of the members of its controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these entities to the Company and/or its indirectly owned subsidiaries. As a result, these entities are treated as subsidiaries of the Company and their financial statements have been consolidated by the Company.

(6) The names of the companies referred to above represent management's best effort in translating the Chinese names of the companies as no English names for these companies have been registered.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, are summarized below.

	2022 **HK$'000**	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000 (Restated)
Revenue – continuing operations	**1,692,061**	327,713	111,055	99,326	109,168
Loss before finance costs and taxation – continuing operations	**(315,255)**	(139,565)	(57,340)	(27,384)	(66,314)
Finance (costs)/income, net – continuing operations	**(1,768)**	(2,280)	1,172	(601)	(11)
Loss before taxation – continuing operations	**(317,023)**	(141,845)	(56,168)	(27,985)	(66,325)
Taxation – continuing operations	**425**	418	(406)	(785)	(130)
Non-controlling interests – continuing operations	**46,618**	31,025	–	–	(571)
Loss from continuing operations attributable to the equity holders of the Company	**(269,980)**	(110,402)	(56,574)	(28,770)	(67,026)
Profit from discontinued operation attributable to the equity holders of the Company	**–**	–	–	–	140,763
(Loss)/profit attributable to the equity holders of the Company	**(269,980)**	(110,402)	(56,574)	(28,770)	73,737
Property, plant and equipment	**13,943**	7,466	1,765	3,736	6,276
Right-of-use assets	**41,732**	61,914	68,165	20,536	–
Film rights and films production in progress	**–**	116,949	363,524	252,750	129,528
Intangible assets	**4,527**	4,793	–	–	–
Goodwill	**27,853**	30,397	–	–	–
Interest in associates	**238,575**	261,072	263,297	278,250	275,982
Financial asset at fair value through profit or loss	**17,110**	–	474	4,112	5,973
Other non-current assets	**3,846**	1,803	18,486	739	16,200
Current assets	**241,600**	426,806	165,063	655,685	446,905
Total assets	**589,186**	911,200	880,774	1,215,808	880,864
Current liabilities	**224,963**	241,253	100,624	379,643	11,790
Non-current liabilities	**14,298**	11,047	3,558	2,955	282
Total liabilities	**239,261**	252,300	104,182	382,598	12,072
Net assets	**349,925**	658,900	776,592	833,210	868,792