

**Hony Media Group**

**弘毅文化集團**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00419)**

**INTERIM  
REPORT  
2024**

# CONTENTS

- 2** Management discussion and analysis
- 11** Other information
- 16** Condensed consolidated interim income statement
- 17** Condensed consolidated interim statement of comprehensive income
- 18** Condensed consolidated interim balance sheet
- 20** Condensed consolidated interim cash flow statement
- 21** Condensed consolidated interim statement of changes in equity
- 22** Notes to the condensed consolidated interim financial information
- 48** Corporate information

# MANAGEMENT DISCUSSION AND ANALYSIS

During the period, the Group achieved several important milestones. On one hand, it continued to optimize its existing internet healthcare business, while on the other hand, it completed the issuance of convertible bonds to an entity under Hony Capital (“**Hony Capital**”). Mr. ZHAO John Huan, Chairman of Hony Capital, was appointed as the Chairman of the Board of Directors of the Company, and Mr. CHENG Wu was appointed as the Chief Executive Officer, focusing on the strategic development of international culture, media and entertainment businesses, striving to realize the vision of building a world-leading global content creation platform. To further reflect the latest strategic and business development direction, the Company has changed its name from “Huayi Tencent Entertainment Company Limited” to “Hony Media Group”.

During the first half of 2024 (the “**period**”), the Group’s revenue from continuing operations was HK\$489 million, representing a decrease of 22% compared to the same period last year. Among which, “Echartnow”, the digitized operation service in the healthcare industry, was the main source of revenue for the Group, recording revenue of HK\$373 million during the period, representing a decrease of 23% compared to the same period last year, mainly due to changes in business structure and customer structure under the healthcare reform policy. The revenue of “Meerkat Health”, a smart healthcare services platform, was HK\$116 million, representing a decrease of 21% compared to the same period last year, mainly due to the Group’s restructuring of its business and focusing resources on developing high-margin products. Benefiting from continuous cost control and the business restructuring of the smart healthcare services platform “Meerkat Health”, the loss from continuing operations during the period significantly narrowed by 31% to approximately HK\$46.18 million from approximately HK\$67.21 million in the same period last year.

## BUSINESS REVIEW AND PROSPECTS

### (1) “Echartnow”, provision of digitized operation service in the healthcare industry

Echartnow is strategically positioned as a frontrunner in digitized operations for the healthcare industry, providing enterprises with full development cycle digitized operation solutions through online and offline integration. During the period, Echartnow continued to develop in multiple dimensions, on one hand

deepening its core competitive advantages in business development and building business moats, and on the other hand collaborating with large healthcare enterprises to establish the first standard innovation consortium, further expanding its industry influence.

### **Business Review**

With the introduction of national policies such as the “Healthy China 2030 Blueprint” and the “Outline of the Fourteenth Five-Year Plan for the National Economic and Social Development and the Long-Range Objectives Through the Year 2035”, the digital transformation of healthcare enterprises has once again gained support and momentum. On the other hand, with the implementation of policies such as volume-based procurement, medical insurance negotiations, and anti-corruption measures in the healthcare sector, competition among healthcare enterprises has intensified, further narrowing profit margins. The urgency for digital transformation to improve operational efficiency and ensure profitability and standardized operations of enterprises has become evident. Echartnow, strategically positioned as a frontrunner in digitized operations for the healthcare industry, builds its own business moat by providing enterprises with full development cycle digitized operation solutions through online and offline integration. It focuses on creating an open digital healthcare ecosystem, lowering the threshold for industry transformation, while collaborating with enterprises to continuously improve and establish industry ecosystem models, realizing the concept of inclusive digital transformation.

In January 2024, under the guidance of Shanghai Municipal Administration for Market Regulation and Pudong New Area Administration for Market Regulation, Echartnow, together with several large domestic pharmaceutical companies, officially established the first standard innovation consortium in the pharmaceutical industry in Shanghai, the “Shanghai Biopharmaceutical Digital Operation Standard Innovation Consortium” (the “**Consortium**”), to support the digital transformation of the biopharmaceutical industry through standardization, thereby accelerating the commercialization process of innovative drugs. This project was also included as one of the four important achievements in national standardization system innovation, showcasing Echartnow’s strength as an industry leader. In March 2024, Echartnow’s Shanghai headquarters was officially launched,

# MANAGEMENT DISCUSSION AND ANALYSIS

leveraging regional policies and integrated resource advantages to further promote business development in the Yangtze River Delta region.

In 2024, Echartnow officially opened the “Cistanche Digitized Operation and Management Platform” to provide digital transformation services for enterprises. The “Cistanche Digitized Operation and Management Platform” creates standardized and systematic digital marketing strategies for enterprises through standardized operation systems, AIGC capabilities, and industry application small models. During the period, Echartnow adjusted the business model of the Cistanche ecosystem, shifting from the traditional SaaS system sales model to charging service fees based on platform turnover, deepening the implementation of inclusive industrial digital transformation concepts while further promoting the digital transformation process of the healthcare industry. As of 30 June 2024, Echartnow has served over a hundred Cistanche merchants, highlighting the strong commercialization capabilities of its products.

As of 30 June 2024, Echartnow has signed cooperation agreements with many large domestic pharmaceutical companies, including well-known companies such as Qilu Pharmaceutical and CSPC Pharmaceutical Group. The number of contracted pharmaceutical companies continued to grow, increasing by 24.5% compared to the end of 2023. The Echartnow platform covers registered doctors in key departments such as pediatrics, oncology, and cardiovascular, with the number of registered doctors increasing by 32.6% compared to the end of 2023. All doctors have completed real-name registration, uploaded qualification documents, and passed authentication.

As of 30 June 2024, the revenue of Echartnow was HK\$373,280,000 (same period in 2023: HK\$482,276,000), representing a decrease of 23% as compared to the same period last year. During the period, Echartnow clearly defined high-quality development as its core objective, focusing on the innovation and upgrade of marketing models. At the same time, high-quality development also brought changes in business structure and customer structure. Echartnow proactively gave up some customers that did not align with the company's long-term development to concentrate resources on developing new high-quality customers. Additionally, driven by healthcare reform policies, the pharmaceutical industry faced organizational and operational challenges under compliance upgrades, with a strong wait-and-see sentiment in the short

term. These multiple factors led to short-term fluctuations in Echartnow's revenue. However, in the long run, high-quality development and healthcare reform policies will bring broader development space and sustained competitiveness for Echartnow.

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

## 1. *Digitized management system*

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

## 2. *Marketing service*

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## 3. *Clinical research service*

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

## 4. *Cistanche Digitized Operation and Management Platform*

As mentioned, the “Cistanche Digitized Operation and Management Platform” creates standardized and systematic digital marketing strategies for pharmaceutical companies and their agents/service providers through standardized operation systems, AIGC capabilities, and industry application small models, charging service fees based on platform turnover. As of 30 June, 2024, Echartnow has served over a hundred Cistanche merchants, highlighting the strong commercialization capabilities of its products.

### **Prospects**

Looking ahead, Echartnow will continue to closely follow national policy directions, actively respond to the comprehensive and normalized requirements of anti-corruption in healthcare, deepen the construction of compliance systems, and assist in the legal and compliant digital transformation of the industry. Through open cooperation, Echartnow will share the results of digital transformation with the industry, promoting the deepening of industry digital transformation. At the same time, it will seize policy signals supporting innovation, assist in the research and development and marketing processes of biopharmaceuticals, meet clinical needs, and promote high-quality development of the healthcare industry.

Echartnow will actively participate in and promote the formulation and implementation of compliance standards for digital operations in the biopharmaceutical industry. Leveraging the platform resource advantages of the Consortium, it will formulate digital operation compliance standards that meet the actual needs of the industry. Through the implementation of the “Biopharmaceutical Digital Operation Compliance Guidelines”, it will standardize service processes, improve service efficiency, ensure

data security, and promote the industry's advancement towards standardization and intellectualization. At the same time, Echartnow will strengthen ESG (Environmental, Social, and Governance) innovation practices to achieve green and sustainable development, improve public health standards, and promote social employment and economic development.

Echartnow will also actively engage in in-depth exploration with government departments in areas such as public data authorization, assetization, and circulation transactions. By integrating medical insurance and industry data, it will provide precise market insights and R&D support for biopharmaceutical enterprises, accelerating enterprise growth. At the same time, it will promote the deep integration of pharmaceutical digital marketing and R&D innovation, using big data and AI technologies to optimize marketing strategies and feed back into new drug R&D, jointly promoting the digital transformation and high-quality development of the industry. It will also advance the first domestic customer data asset entry into financial statements and data asset financing, realizing the circulation and transaction of data elements, and enhancing the leading role of the biopharmaceutical industry in data asset applications.

## (2) **“Meerkat Health”, a Smart Healthcare Services Platform**

Facing new economic development trends and future market development trends, Meerkat Health has been proactively restructuring its business and internal organization since 2023. To optimize revenue structure and concentrate resources on developing core businesses, following the earlier divestment of high-cost and uncertain-prospect business segments such as vaccines and health examinations, during the period, it further terminated the private e-commerce business with unclear development prospects and fully reduced related personnel, focusing on operating the healthcare consumption business to achieve better operational efficiency and enterprise development.

### **Business Review**

Since its establishment in 2021, Meerkat Health has successfully empowered the out-of-hospital market through digital technology and core business capabilities. It has now built a smart supply chain system covering pharmaceutical companies, drug distributors, pharmacies, and grassroots medical institutions, successfully achieving full-channel

# MANAGEMENT DISCUSSION AND ANALYSIS

coverage of nearly 10,000 product categories, and continuously establishing solid sales networks in regions such as East China and South China. It has provided quality services to over 100,000 end customers, realizing the corporate mission of “good medicine for all”, ensuring that pharmaceutical and healthcare products and services can be quickly and accurately delivered to every user.

The healthcare consumption business is the foundational core business and the main source of revenue for Meerkat Health. As of 30 June 2024, Meerkat Health's revenue was HK\$116,118,000 (same period in 2023: HK\$147,591,000), representing a decrease of 21% compared to the same period last year. The main reason for this decrease was that the revenue from the same period last year included approximately HK\$11,574,000 from divested businesses such as vaccines and health examinations; and during the period, the proportion of lower-margin business was reduced, concentrating resources on expanding high-margin, high-potential businesses. The segment loss during the period significantly narrowed by 86% to HK\$4,583,000 (same period in 2023: HK\$32,756,000), reflecting the effective reduction in operating costs and improved enterprise efficiency resulting from the business and structural reorganization completed during the period.

## **Prospects**

With the successful completion of business and structural reorganization, Meerkat Health has entered a new stage of development. In the future, Meerkat Health will continue to optimize its cost structure and improve operational efficiency, striving to create higher value at lower costs. At the same time, Meerkat Health will also seek to explore new business models and market opportunities while maintaining stability, continuing to uncover new value in the healthcare consumption field.

## **(3) Entertainment and Media**

HB Entertainment (primarily involved in production and investment in film and television drama projects and provision of artist management and agency services in South Korea), in which the Group held a 30.77% equity stake, produced and released the television drama “My Man Is Cupid”. The drama, starring well-known actors Jang Dong-yoon and Im Jin-ah, was exclusively broadcast on Amazon Prime Video in December 2023 and received favourable viewership ratings and reviews.

During the period, the “Entertainment and Media” business did not record any revenue (same period in 2023: HK\$375,000), with a segment loss of HK\$2,104,000 (same period in 2023: segment profit of HK\$1,908,000), mainly due to HB Entertainment in South Korea not having any television drama production aired during the period.

## **Prospects**

According to the media and entertainment industry size and share analysis report previously released by Mordor Intelligence, the global entertainment and media industry market is expected to grow at a compound annual growth rate of 7.8% from 2024 to 2028, with the Asia-Pacific market being the fastest-growing market. On the other hand, the entertainment and media business continues to recover after the pandemic. According to statistics from research company Gower Street, the global film market is expected to reach US\$31 billion in 2024, with market consumption continuing to warm up. With the rise of streaming platforms and innovative technologies, the market potential will be further unleashed. As the strategic collaboration platform in the cultural industry of Hony Capital, which has been deeply involved in the culture, media, and entertainment industry for many years, the Group will strive to realize the vision of building a global content creation platform. It will continue to lay out and cultivate in key target markets such as South Korea, Japan, and the United States, explore and nurture excellent creative teams, promote the output of content works and excellent IP with high cultural and commercial value, build an internationalized complete industry chain, and cultivate internationally renowned and recognized IP, creating sustainable business value for shareholders.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The Group is organized into the following main operating segments:

1. Digitized operation services in healthcare industry (“Echartnow”)
2. Smart healthcare services platform (“Meerkat Health”)
3. Entertainment and media

Following the termination of the Club Lease Agreement as detailed in Note 26 to the condensed consolidated financial statements of the Group, the operation of “Healthcare and wellness services” was discontinued and was accounted for as discontinued operation.

The key financial figures of the Group for the six months ended 30 June 2024 are summarized as follows:

	<b>Six months ended 30 June</b>		
	<b>2024</b>	2023	Change
	<b>HK\$'000</b>	HK\$'000	%
		(Restated)	
		(Note 26)	
<b>Total revenue:</b>			
– Digitized operation services in healthcare industry	<b>373,280</b>	482,276	–23%
– Smart healthcare services platform	<b>116,118</b>	147,591	–21%
– Entertainment and media	<b>–</b>	375	N/A
	<b>489,398</b>	630,242	–22%
<b>Gross profit:</b>			
– Digitized operation services in healthcare industry	<b>121,240</b>	198,315	–39%
– Smart healthcare services platform	<b>11,958</b>	14,429	–17%
– Entertainment and media	<b>–</b>	375	N/A
	<b>133,198</b>	213,119	–38%
<b>Segment result:</b>			
– Digitized operation services in healthcare industry	<b>(16,855)</b>	(13,757)	+23%
– Smart healthcare services platform	<b>(4,583)</b>	(32,756)	–86%
– Entertainment and media	<b>(2,104)</b>	1,908	N/A
	<b>(23,542)</b>	(44,605)	–47%
<b>Loss for the period from continuing operations</b>	<b>(46,184)</b>	(67,206)	–31%
<b>Loss for the period from continuing operations attributable to equity owners of the Company</b>	<b>(41,016)</b>	(53,671)	–24%
<b>Non-HKFRS Adjustments:</b>			
Adjusted loss for the period from continuing operations	<b>(53,557)</b>	(63,970)	–16%
<b>Discontinued operation</b>			
Profit for the period from discontinued operation	<b>–</b>	9,829	N/A

# MANAGEMENT DISCUSSION AND ANALYSIS

## — Revenue

Revenue for the six months ended 30 June 2024 amounted to approximately HK\$489,398,000 (2023: HK\$630,242,000), being a 22% decrease comparing to the same period in prior year. The decrease in revenue during the period was mainly due to the following factors:

- (1) During the period, revenue from “Digitized operation services in healthcare industry” segment (i.e., Echartnow) decreased by 23% to approximately HK\$373,280,000 (2023: HK\$482,276,000), which accounted for approximately 76% (2023: 77%) of the Group’s revenue from continuing operations. Echartnow, taking high-quality development as its core goal, has taken the initiative to give up some customers that are not in line with the company’s long-term development so as to concentrate resources to develop new high-quality customers. In addition, driven by the recent medical reform policy, the pharmaceutical industry is facing organizational and operational challenges under the ever-rising compliance standard. The short-term wait-and-see sentiment is heavy, which leads to the short-term fluctuation in Echartnow’s revenue. However, in the long run, high-quality development and medical reform policies will bring Echartnow a broader development space and sustainable competitiveness.
- (2) During the period, revenue from the “Smart Healthcare Services Platform” segment (i.e., Meerkat Health) decreased by 21% to approximately HK\$116,118,000 (2023: HK\$147,591,000), which accounted for approximately 24% (2023: 23%) of the Group’s revenue from continuing operations. This was mainly due to the fact that the revenue in the same period last year included approximately HK\$11,574,000 from vaccines and medical examinations which have already been divested. In addition,

Meerkat Health has continued to reduce the proportion of healthcare consumption business with lower gross profit, leading to further drop in revenue yet an increase in gross profit margin from 9.8% to 10.3% during the period.

## — Cost of Sales and Gross Profit

Cost of sales for the six months ended 30 June 2024 amounted to approximately HK\$356,200,000 (2023: HK\$417,123,000), being a 15% decrease comparing to the same period in prior year. Gross profit for the six months ended 30 June 2024 amounted to approximately HK\$133,198,000 (2023: HK\$213,119,000), being a 38% decrease comparing to the same period in prior year. As explained above, the change of customer composition and the customers’ wait-and-see sentiment due to the medical reform policy implementation leads to pressures against Echartnow’s revenue and gross profit performance in the short-run. However, in the long-run, medical reform with ever rising standard for compliance shall open a broader space and demands from the pharmaceutical industry for the digitized operation services provided by Echartnow.

## — Other Income and Other Losses, net

Other income and other losses, net, for the six months ended 30 June 2024 amounting to a net income of approximately HK\$8,814,000 (2023: net loss of HK\$4,078,000) mainly comprised of i) gain on financial liabilities at fair value through profit or loss of approximately HK\$4,243,000 (2023: nil) generated from the issuance of convertible bonds during the period; ii) gain on disposal of property, plant and equipment of approximately HK\$3,517,000 (2023: loss on disposal of HK\$264,000) mainly generated from the disposal of a small commercial premise in Beijing during the period; and iii) exchange losses arising from depreciation of foreign currencies against Hong Kong dollars of approximately HK\$310,000 (2023: exchange loss of HK\$3,150,000) during the period.



# MANAGEMENT DISCUSSION AND ANALYSIS

## — Marketing and Selling Expenses

Marketing and selling expenses for the six months ended 30 June 2024 decreased by 39% to approximately HK\$133,808,000 (2023: HK\$218,477,000), which was mainly attributed to the Echartnow operation. Staff costs and marketing expenses were incurred for the promotion of the Echartnow platform and other relevant expenses were also incurred for enhancing the registration of doctors and pharmacies in the Echartnow platform. Affected by the short-term fluctuation in the revenue and gross profit as previously discussed, Echartnow has temporarily slowed down the investment in such marketing and selling expenses during the period.

## — Research and Development Expenses

Research and development expenses for the six months ended 30 June 2024 has decreased by 58% to approximately HK\$7,720,000 (2023: HK\$18,363,000). The amount mainly comprised staff costs and employee benefit expenses in relation to research and development function. The significant decrease in the research and development expenses during the period was in line with the organizational restructuring of Meerkat Health operation completed in early 2024, leading to redundancy of the relevant research and development staff in relation to the divested medical services businesses.

## — Administrative Expenses

Administrative expenses for the six months ended 30 June 2024 amounted to approximately HK\$37,914,000 (2023: HK\$39,531,000), being a 4% decrease comparing to the prior period. The decrease in administrative expenses during the period was mainly attributed to the net effect of the following:

(1) The administrative expenses of Meerkat Health operation decreased during the period which was in line with the completion of its organizational restructuring in early 2024 with divesting of the vaccines, medical examination and private e-commerce businesses; and

(2) Additional legal and professional fees were incurred for the issuance of convertible bonds during the period. In addition, with the expansion of entertainment and media business and recruitment of new chief executive officer, additional staff costs and related administrative expenses were incurred.

## — Finance Costs, net

Finance costs, net for the period amounted to approximately HK\$6,866,000 (2023: HK\$1,196,000). The increase in net finance costs during the period was mainly attributable to i) interest expense on the convertible bonds issued in March 2024; and ii) the increase in interest expense on bank and other borrowings during the period.

## — 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\$2,104,000 (2023: a profit of approximately HK\$1,516,000). There was one new TV drama, "Battle of Happiness", produced and broadcasted during the first half of 2023. However, there was no new TV drama release during the period, leading to the share of losses.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group's loss from continuing operations for the six months ended 30 June 2024 amounted to HK\$46,184,000 comparing to that of HK\$67,206,000 for the preceding financial period. The Group's adjusted loss for the six months ended 30 June 2024 amounted to HK\$53,557,000 representing a decrease of HK\$10,413,000 or 16% as compared with that of HK\$63,970,000 for the preceding financial period. Adjusted loss is based on the loss for the corresponding period after excluding non-operating profit or loss items such as share-based compensation expenses, change in fair value of financial assets at fair value through profit or loss and of interest in an associate measured at fair value through profit or loss and fair value change of financial liabilities at fair value through profit or loss. As explained above, the decrease in adjusted loss was mainly attributable to reduction of segment losses of Meerkat Health operation resulting from the completion of its organizational restructuring in early 2024 with divesting of the vaccines, medical examination and private e-commerce businesses.

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

The adjusted loss from continuing operations for the six months ended 30 June 2024 and 2023 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 from continuing operations for the period):

	<b>Six months ended 30 June</b>	
	<b>2024</b> <b>HK\$'000</b>	2023 HK\$'000 (Restated) (Note 26)
Loss for the period from continuing operations	<b>(46,184)</b>	(67,206)
Add:		
– (Reversal)/expenses of shared-based compensation	<b>(3,356)</b>	1,878
– Fair value change on financial assets at fair value through profit or loss, net of tax	<b>106</b>	558
– Fair value change on interest in an associate measured at fair value through profit or loss, net of tax	<b>120</b>	800
– Gain on financial liabilities at fair value through profit or loss	<b>(4,243)</b>	–
Adjusted loss for the period from continuing operations	<b>(53,557)</b>	(63,970)

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity and Treasury Management

We have adopted prudent treasury management measures aimed at principal protection and maintaining sufficient liquidity to meet our various funding requirements in accordance with the strategic plans and policies. As at 30 June 2024, the Group held cash and cash equivalents of approximately HK\$45,968,000 (31 December 2023: HK\$27,037,000), being a 70% increase comparing to the balance as at 31 December 2023.

The Group is at net current asset position of HK\$39,292,000 as at 30 June 2024 (31 December 2023: net current liability position of HK\$74,156,000). The current ratio, representing the total current assets to the total current liabilities, increased from 0.72 as at 31 December 2023 to 1.22 as at 30 June 2024.

The gearing ratio, representing the net debt (total borrowings, convertible bonds and lease liabilities less cash and cash equivalents) to total equity, is 93.77% as at 30 June 2024 (31 December 2023: 27.21%). The Group has issued convertible bonds with principal amounts of HK\$120,000,000 during the period, leading to increase in the gearing ratio. The Group's total bank and other borrowings as at 30 June 2024 amounted to approximately HK\$73,958,000 (31 December 2023: HK\$72,231,000) and was denominated in Chinese Renminbi.

### Foreign Currency Exchange Exposure

The Group has operations and investments in the PRC, Korea and Hong Kong, and is mainly exposed to foreign exchange risk arising from Chinese Renminbi and Korean Won currency exposures, primarily with respect to the Hong Kong dollars. During the period, fluctuation in Chinese Renminbi and Korean Won against Hong Kong dollars resulted in the net exchange loss of approximately HK\$310,000 (2023: HK\$3,150,000). 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, convertible bonds, bank and other borrowings and internally generated cash flow to finance its operations.

During the six months ended 30 June 2024 and 30 June 2023, the Company has not issued new ordinary shares.

Convertible bonds as at 30 June 2024 amounted to approximately HK\$114,411,000 (31 December 2023: Nil). Further details of the convertible bonds issued during the period are set out in Note 27 to the condensed consolidated interim financial information.

Total bank and other borrowings as at 30 June 2024 amounted to approximately HK\$73,958,000 (31 December 2023: HK\$72,231,000). Further details of the bank and other borrowings are set out in Note 21 to the condensed consolidated interim financial information.

### CHARGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2024 and 31 December 2023, none of the Group's assets was charged and the Group did not have any material contingent liabilities or guarantees.

### HUMAN RESOURCES

As at 30 June 2024 the Group employed a total of 223 (31 December 2023: 233) full-time employees in Hong Kong and the PRC. In addition, the Group has entered into several joint operation arrangements to produce or distribute films. The crew members employed under such joint operation arrangements have not been included in the above statistics.

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

## OTHER INFORMATION

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

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

### SHARE SCHEMES

In light of the amendments to the requirements under Chapter 17 of the Listing Rules which took effect on 1 January 2023, the Company's shareholders approved the ordinary resolutions at its extraordinary general meeting held on 21 June 2024 (the "EGM") to (i) terminate the share option scheme adopted by the Company on 21 June 2022 (the "2022 Share Option Scheme"), (ii) adopt the share option scheme (the "2024 Share Option Scheme"), and (iii) amend the existing share award scheme adopted by the Company on 20 August 2021 (the "Amended 2021 Share Award Scheme"). Details of the 2024 Share Option Scheme and Amended 2021 Share Award Scheme (the "2024 Share Schemes") were set out in the circular of the Company dated 5 June 2024.

No share options were granted under the 2022 Share Option Scheme before its termination. As the 2022 Share Option Scheme had been terminated, no further share options could be granted.

No share options were granted, exercised, cancelled, or lapsed under the 2024 Share Option Scheme during the period. As a result, there were no outstanding options as at 1 January 2024 and 30 June 2024.

Details of the movements of the share awards involving new shares of the Company during the period are presented in the following table:

Name or category of participants	Date of grant	Number of Shares					As at 30 June 2024 Vesting period	
		As at 1 January 2024	Granted	Vested	Cancelled	Lapsed		
		'000	'000	'000	'000	'000	'000	
<b>Other employee participants</b>								
Share awards	31 March 2023	15,000	-	-	-	15,000	-	Note

Note: Had such share awards not lapsed on 27 March 2024, the initial 50% of the aggregate awards would become vested on the first trading day immediately following 31 March 2024. Subsequently, each 25% of the total awards would vest on the first trading day after 31 March 2025 and 2026, respectively; and the awards could be fulfilled through (i) allotting and issuing shares and/or (ii) utilizing returned shares that can be awarded to the grantee.

As no options or awards were granted during the period, the calculation of the ratio of Shares that may be issued in respect of options and awards granted during the period to the weighted average number of Shares in issue is not applicable.

As there were no options exercised or awards vested during the period, the weighted average closing price of the Shares immediately before the dates on which the options or awards were exercised or vested during the period is not applicable.

Save as disclosed above, as at 30 June 2024, there were no options or awards which had already been granted or to be granted under the 2024 Share Schemes to: (i) any of the Company's directors, chief executive, or substantial shareholders, or their respective associates; (ii) any participant with options and awards exceeding the 1% Individual Limit (as defined under Chapter 17 of the Listing Rules); (iii) any related entity participant or service provider with options and awards exceeding 0.1% of the issued shares of the Company in issue (excluding Treasury Shares) in any 12-month period; and (iv) any employee participants, related entity participants or service providers.

## OTHER INFORMATION

Number of the share options and/or awards available for grant under the Scheme Mandate Limit and Service Provider Sublimit as at 1 January 2024 and 30 June 2024 are as follows:

### (i) Scheme Mandate Limit

	Number of Shares	
	As at 1 January 2024	As at 30 June 2024
Share options under 2022 Share Option Scheme	1,356,060,657	Nil
Share options under 2024 Share Option Scheme	Nil	Note
Share awards	1,272,310,657	Note

Note: The total number of Shares which may be issued and the number of Treasury Shares\* which may be transferred in respect of all options and awards under the 2024 Share Schemes and other share schemes of the Company that involve the issuance of new Shares and transfer of Treasury Shares (if any) shall be no more than 1,358,533,860 Shares ("Scheme Mandate Limit"), representing no more than approximately 10% of the total number of Shares in issue (excluding the Treasury Shares) as at the date of EGM approving the adoption of the 2024 Share Option Scheme (the "Adoption Date") or the amendment of the 2021 Share Award Scheme (the "Amendment Date"). Since there were no grants of options or awards during the period, the Scheme Mandate Limit remained 1,358,533,860 Shares at the end of the period.

\* Shares repurchased and held by the Company in treasury (if any), as authorised by the laws and regulations of the Cayman Islands and/or the Articles of Association.

### (ii) Service Provider Sublimit

Within the Scheme Mandate Limit, the total number of Shares that may be issued and the number of Treasury Shares which may be transferred under the 2024 Share Schemes and other share schemes of the Company that involve the issuance of new Shares and transfer of Treasury Shares (if any) to the Service Providers (as defined under Chapter 17 of the Listing Rules) would be no more than 135,853,386 Shares (the "Service Provider Sublimit"), representing no more than approximately 1% of the total number of Shares in issue (excluding the Treasury Shares) as at the Adoption Date and the Amendment Date. Since there were no grants of options or awards during the period, the Service Provider Sublimit remained 135,853,386 Shares at the end of the period.

## USE OF PROCEEDS FROM CONVERTIBLE BONDS

### (i) Convertible Bonds

The Company issued 10% convertible bonds due March 2026 with an aggregate principal amount of HK\$120,000,000 in March 2024 (the "Convertible Bonds") to United Strength LS Limited, a company controlled by Mr. ZHAO John Huan, Chairman of the Company, through a chain of companies. Upon exercise of the conversion rights attached to the Convertible Bonds in full, the Convertible Bonds would be convertible into 1,183,431,952 Shares at a conversion price of HK\$0.1014 per Share (subject to adjustment). Save as disclosed above, there were no other convertible bonds issued by the Company during the period ended 30 June 2024. No conversion and redemption of the Convertible Bond occurred during the period. Details of the Convertible Bonds are set out in Note 27 to the condensed consolidated interim financial information.

## OTHER INFORMATION

### (ii) Use of Proceeds

The net proceeds from the issue of all the Convertible Bonds, after deduction of related expenses, amounted to approximately HK\$118.1 million. The Board intended to apply the net proceeds in accordance with the proposed applications as set out in the announcement of the Company dated 21 March 2024. The following table provides a detailed breakdown of the actual use of proceeds up to 30 June 2024, including any unused proceeds and their intended application with expected timelines:

Purpose of Proceeds	Amount	Amount	Amount	Expected Timeline for utilising the remaining net proceeds
	Allocated	Utilised	Unused	
	HK\$'000	HK\$'000	HK\$'000	
Digitized operation services in healthcare industry	38,000	38,000	-	N/A
Operation of smart healthcare services platform	12,000	12,000	-	N/A
Payment of interests under Convertible Bonds	24,000	9,288	14,712	Expected to be utilised along the interest payment schedule under the Convertible Bonds
General working capital (including settlement of certain other borrowings)	44,100	44,100	-	N/A
<b>Total</b>	<b>118,100</b>	<b>103,388</b>	<b>14,712</b>	

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

As at 30 June 2024, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules were as follows:

#### Listed positions in ordinary shares of the Company:

Name of Directors	Capacity	Number of shares held			% of total issued share capital of the Company (Note 1)
		Personal interest	Corporate interest	Total interest	
YUEN Hoi Po	Beneficial owner and interest of a controlled corporation	459,310,000	1,938,030,107	2,397,340,107	17.65
ZHAO John Huan	Interest of a controlled corporation	-	1,183,431,952	1,183,431,952	8.71
CHU Yuguo	Beneficial owner	2,000,000	-	2,000,000	0.01

Notes:

- The percentage of shareholding is calculated with reference to the Company's number of shares in issue as at 30 June 2024.
- 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.
- Mr. ZHAO John Huan was deemed to have an interest in 1,183,431,952 shares of the Company through his interest in United Strength LS Limited. United Strength LS Limited holds convertible bonds issued by the Company, which are convertible into Shares at a conversion price of HK\$0.1014 per Share. United Strength LS Limited is managed by United Strength Youthful Limited (as the general partner). United Strength Youthful Limited is an indirect wholly-owned subsidiary of Hony Capital Group, L.P., which is managed by Hony Group Management Limited (as the general partner). Hony Group Management Limited is 80% owned by Hony Managing Partners Limited. Hony Managing Partners Limited is a wholly-owned subsidiary of Exponential Fortune Group Limited, of which Mr. ZHAO John Huan owns a 49% interest.

## OTHER INFORMATION

Save as disclosed above, as at 30 June 2024, 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.

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

As at 30 June 2024, 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
ZHAO John Huan	Interest of a controlled corporation (Note 3)	Corporation interest	1,183,431,952	8.71
Tencent Holdings Limited	Interest of a controlled corporation (Note 4)	Corporation interest	2,116,251,467	15.58
KO Chun Shun, Johnson	Interest of a controlled corporation (Note 5)	Corporation interest	1,262,000,000	9.29

Notes:

- The percentage of shareholding is calculated with reference to the Company's number of shares in issue as at 30 June 2024.
- 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.
- Mr. ZHAO John Huan was deemed to have an interest in 1,183,431,952 shares of the Company through his interest in United Strength LS Limited. United Strength LS Limited holds convertible bonds issued by the Company, which are convertible into Shares at a conversion price of HK\$0.1014 per Share. United Strength LS Limited is managed by United Strength Youthful Limited (as the general partner). United Strength Youthful Limited is an indirect wholly-owned subsidiary of Hony Capital Group, L.P., which is managed by Hony Group Management Limited (as the general partner). Hony Group Management Limited is 80% owned by Hony Managing Partners Limited. Hony Managing Partners Limited is a wholly-owned subsidiary of Exponential Fortune Group Limited, of which Mr. ZHAO John Huan owns a 49% interest. As a result, Mr. ZHAO John Huan, Exponential Fortune Group Limited, Hony Managing Partners Limited, Hony Group Management Limited, Hony Capital Group, L.P., and United Strength Youthful Limited were all deemed to be interested in these Shares.
- 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.
- 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 30 June 2024, 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.

## OTHER INFORMATION

### CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the “Board”) is committed to achieving high standards of corporate governance and adhering to the governance principles and practices. The Board or its delegated Board committees has regularly reviewed and monitored its implementation and effectiveness. Throughout the six months ended 30 June 2024, the Company has applied the principles and complied with the code provisions in Part 2 of the Corporate Governance Code (the “CG Code”) set out in Appendix C1 to the Listing Rules except for one deviation as follows:

The 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 appointment of Mr. ZHAO John Huan and Mr. CHENG Wu as the Chairman of the Board and the Chief Executive Officer respectively on 24 April 2024, the Company has complied with this requirement.

### 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”) as set out in Appendix C3 to the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code throughout the six months ended 30 June 2024.

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 their office or employment, is likely to possess inside information in relation to the Company or its securities.

### REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee, comprises of three Independent Non-executive Directors, namely Mr. YUEN Kin (Audit Committee Chairman), Mr. CHU Yuguo and Ms. PAN Min, has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2024 together with the management of the Company. The Audit Committee is satisfied with the review.

### OTHER CHANGES IN DIRECTORS' INFORMATION

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

1. Mr. CHENG Wu has been appointed as the CEO of the Company and ceased to hold the position of vice-chairman of the Board on 24 April 2024. Pursuant to Mr. CHENG's CEO service contract with the Company, his annual emoluments, consisting of an annual salary of HK\$4,200,000, were effective from 1 May 2024. His salary was determined based on his extensive experience and industry benchmarks in companies of a similar size. Performance-based bonus, share-based compensation and other related benefits are to be agreed upon separately and will be evaluated by the Remuneration Committee.
2. Mr. YUEN Hoi Po has been redesignated from CEO to President of the Company on 24 April 2024; and
3. Mr. YUEN Kin has resigned as an executive director of Culturecom Holdings Limited (Stock code: 343) on 6 May 2024.

By Order of the Board

**CHENG Wu**

*Executive Director and Chief Executive Officer*

Hong Kong, 23 August 2024



# CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2024

		<b>Six months ended 30 June</b>	
		<b>2024</b>	2023
		<b>(Unaudited)</b>	(Unaudited)
			(Restated)
			(Note 26)
Notes		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing Operations</b>			
	4	<b>489,398</b>	630,242
		<b>(356,200)</b>	(417,123)
		<b>133,198</b>	213,119
	4	<b>8,814</b>	(4,078)
		<b>(133,808)</b>	(218,477)
		<b>(7,720)</b>	(18,363)
		<b>(37,914)</b>	(39,531)
	7	<b>1</b>	22
		<b>(37,429)</b>	(67,308)
	6	<b>(6,866)</b>	(1,196)
		<b>(2,104)</b>	1,516
	7	<b>(46,399)</b>	(66,988)
	8	<b>215</b>	(218)
		<b>(46,184)</b>	(67,206)
<b>Discontinued Operation</b>			
	26	-	9,829
		<b>(46,184)</b>	(57,377)
Attributable to:			
		<b>(41,016)</b>	(53,671)
		-	9,829
		<b>(41,016)</b>	(43,842)
		<b>(5,168)</b>	(13,535)
		<b>(46,184)</b>	(57,377)
(Loss)/earnings per share attributable to the equity holders of the Company for the period		<b>HK Cents</b>	HK Cents
	9	<b>(0.30)</b>	(0.39)
		-	0.07
		<b>(0.30)</b>	(0.32)

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

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Loss for the period	(46,184)	(57,377)
Other comprehensive loss:		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
– Currency translation differences	(12,046)	(6,771)
<i>Item that may not be reclassified to profit or loss:</i>		
– Currency translation differences	526	(301)
Other comprehensive loss for the period, net of tax	(11,520)	(7,072)
Total comprehensive loss for the period	(57,704)	(64,449)
Total comprehensive loss attributable to:		
Equity holders of the Company	(53,062)	(50,613)
Non-controlling interests	(4,642)	(13,836)
	(57,704)	(64,449)

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

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2024

	Notes	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	3,524	5,453
Right-of-use assets	11	10,484	14,530
Intangible assets	13	1,635	2,274
Goodwill	14	27,118	27,203
Interests in associates	15	212,915	228,033
Financial assets at fair value through profit or loss	16	9,786	9,856
Prepayments, deposits and other receivables	18	45,709	45,798
		<b>311,171</b>	<b>333,147</b>
<b>Current assets</b>			
Inventories	19	2,276	4,332
Trade and bills receivables	17	56,555	96,436
Prepayments, deposits and other receivables	18	109,861	60,291
Financial asset at fair value through profit or loss	16	5,013	5,049
Cash and cash equivalents	20	45,968	27,037
		<b>219,673</b>	<b>193,145</b>
<b>Total assets</b>		<b>530,844</b>	<b>526,292</b>

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2024

	Notes	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to the equity holders of the Company			
Share capital	24	271,707	271,707
Reserves		(35,031)	18,486
		236,676	290,193
Non-controlling interests		(72,739)	(67,400)
<b>Total equity</b>		<b>163,937</b>	<b>222,793</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	11	5,789	8,150
Long-term financial liabilities	25	46,181	27,606
Long-term other borrowing	21	19,941	–
Convertible bonds	27	114,411	–
Deferred income tax liabilities		204	442
		186,526	36,198
<b>Current liabilities</b>			
Trade payables	22	52,211	108,115
Other payables and accrued liabilities	23	63,732	74,757
Contract liabilities	23	4,891	4,918
Bank and other borrowings	21	54,017	72,231
Lease liabilities	11	5,530	7,280
		180,381	267,301
<b>Total liabilities</b>		<b>366,907</b>	<b>303,499</b>
<b>Total equity and liabilities</b>		<b>530,844</b>	<b>526,292</b>

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

# CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2024

	<b>Six months ended 30 June</b>	
	<b>2024</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>
<b>Net cash used in operating activities</b>	<b>(63,454)</b>	<b>(69,468)</b>
<b>Cash flows from investing activities</b>		
Interest received	253	115
Purchase of property, plant and equipment	(154)	(2,245)
Proceeds from sales of property, plant and equipment	3,565	206
<b>Net cash generated from/(used in) investing activities</b>	<b>3,664</b>	<b>(1,924)</b>
<b>Cash flows from financing activities</b>		
Issuance of convertible bonds	120,000	–
Payment and prepayment of interests on convertible bonds	(9,288)	–
Additional deposits for securing other borrowings	(48,650)	–
Repayment of bank and other borrowings	(53,211)	(9,696)
Proceeds from bank and other borrowings	55,453	49,029
Capital contribution from new investor of a subsidiary	17,531	26,031
Principal elements of lease payments	(3,379)	(6,018)
<b>Net cash generated from financing activities</b>	<b>78,456</b>	<b>59,346</b>
Net increase/(decrease) in cash and cash equivalents	18,666	(12,046)
Cash and cash equivalents at 1 January	27,037	38,300
Currency translation differences	265	1,637
Cash and cash equivalents at 30 June	<b>45,968</b>	<b>27,891</b>

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

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	(Unaudited)											
	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital redemption reserve HK\$'000	Currency translation reserve HK\$'000	Shares held for share award scheme HK\$'000	Equity component of convertible bonds 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 2024	271,707	1,228,635	860,640	1,206	(51,234)	(938)	–	12,167	(2,031,990)	290,193	(67,400)	222,793
Comprehensive loss:												
- Loss for the period	–	–	–	–	–	–	–	–	(41,016)	(41,016)	(5,168)	(46,184)
Other comprehensive (loss)/income:												
Currency translation differences												
- Group	–	–	–	–	848	–	–	–	–	848	–	848
- Associate	–	–	–	–	(12,894)	–	–	–	–	(12,894)	–	(12,894)
- Non-controlling interests	–	–	–	–	–	–	–	–	–	–	526	526
Total comprehensive loss	–	–	–	–	(12,046)	–	–	–	(41,016)	(53,062)	(4,642)	(57,704)
Contribution by and distribution to owners of the Company recognized directly in equity:												
- Share awards	–	122	–	–	–	20	–	(142)	–	–	–	–
- Share-based compensation	–	–	–	–	–	–	–	(2,659)	–	(2,659)	(697)	(3,356)
- Issuance of convertible bonds	–	–	–	–	–	–	2,204	–	–	2,204	–	2,204
Balance at 30 June 2024	271,707	1,228,757	860,640	1,206	(63,280)	(918)	2,204	9,366	(2,073,006)	236,676	(72,739)	163,937

	(Unaudited)											
	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital redemption reserve HK\$'000	Currency translation reserve HK\$'000	Shares held for share award scheme HK\$'000	Equity component of convertible bonds HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2023	271,707	1,226,728	860,640	1,206	(46,063)	(1,250)	–	12,135	(1,934,903)	388,200	(38,275)	349,925
Comprehensive loss:												
- Loss for the period	–	–	–	–	–	–	–	–	(43,842)	(43,842)	(13,535)	(57,377)
Other comprehensive (loss)/income:												
Currency translation differences												
- Group	–	–	–	–	3,039	–	–	–	–	3,039	–	3,039
- Associate	–	–	–	–	(9,610)	–	–	–	–	(9,610)	–	(9,610)
- Non-controlling interests	–	–	–	–	–	–	–	–	–	–	(301)	(301)
Total comprehensive loss	–	–	–	–	(6,771)	–	–	–	(43,842)	(50,613)	(13,838)	(64,449)
Contribution by and distribution to owners of the Company recognized directly in equity:												
- Share awards	–	1,907	–	–	–	312	–	(2,219)	–	–	–	–
- Share-based compensation	–	–	–	–	–	–	–	1,503	–	1,503	375	1,878
Balance at 30 June 2023	271,707	1,228,635	860,640	1,206	(54,834)	(938)	–	11,419	(1,978,745)	339,090	(51,739)	287,354

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

Hony Media Group (formerly known as “Huayi Tencent Entertainment Company Limited”) (the “Company”) and its subsidiaries (together, the “Group”) is principally engaged in (i) digitized operation services in healthcare industry (“Echartnow”); (ii) smart healthcare services platform (“Meerkat Health”); and (iii) entertainment and media business. Following the termination of the Club Lease Agreement as detailed in Note 26, the operation of provision of healthcare and wellness services is discontinued.

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

The Company is listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousand Hong Kong dollars (HK\$’000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 23 August 2024.

This condensed consolidated interim financial information has not been audited.

## 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This condensed consolidated interim financial information does not include all the notes of the type normally included in annual consolidated financial statements. According, this condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## 3. ACCOUNTING POLICIES, ESTIMATES AND FINANCIAL RISK MANAGEMENT

### (i) Accounting Policies

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2023, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standard as set out below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (a) *New and amended standard adopted by the Group*

The Group has applied the following amended standards for the first time for their annual reporting period commencing 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
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))
Amendments to HKFRS 16	Lease Liability in Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (b) *Impact of standards issued but not yet applied 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.

		<b>Effective for annual periods beginning on</b>
HKAS 21 and HKFRS 1	Lack of Exchangeability (amendments)	1 January 2025
HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments (amendments)	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements (new standard)	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures (new standard)	1 January 2027
HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments)	1 January 2027
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 is in the process of assessing the impact of the new and amended standards on its results of operations and financial position. The Group expects to adopt the relevant new and amended standards when they become effective.

## (c) *Accounting policy adopted by the Group upon issuance of convertible bonds*

The commitment to issue a convertible bond meets the definition of a derivative. The derivative is measured at fair value and the fair value changes between the date of entering the subscription agreement and the issuance date are recognised in the profit or loss.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in “other reserves” of shareholders’ equity. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

The liability component of a convertible bond is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

On conversion of a convertible bond, the entity derecognises the liability component and recognises it as equity. The original equity component remains as equity (although it may be transferred from one line item within equity to another). The balance related to derecognised liability and transferred equity will be recorded in share capital and share premium. There is no gain or loss on conversion.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (ii) Estimates

The preparation of this condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements in the annual report for the year ended 31 December 2023.

## (iii) Financial risk management

### (a) 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.

This condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

There have been no significant changes in the risk management policies since the year end.

### (b) Fair value estimation

The table below analyses financial instruments 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 as at 30 June 2024:

	Unaudited			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 30 June 2024</b>				
Interest in an associate (Note 15)				
– Deep Sea Health Limited	–	–	16,827	16,827
Financial asset at fair value through profit or loss (Note 16)				
– Deep Sea Health Limited, put option	–	–	5,013	5,013
– Beijing Yi Yao Liang Xin	–	–	9,786	9,786
	–	–	31,626	31,626

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The following table presents the group's assets that are measured at fair value as at 31 December 2023:

	Audited			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 31 December 2023</b>				
Interest in an associate (Note 15)				
– Deep Sea Health Limited	–	–	16,947	16,947
Financial asset at fair value through profit or loss (Note 16)				
– Deep Sea Health Limited, put option	–	–	5,049	5,049
– Beijing Yi Yao Liang Xin	–	–	9,856	9,856
	–	–	31,852	31,852

The Group's finance department includes a team that performs the valuations of financial 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.

There were no transfers between levels 1, 2 and 3, and no change in valuation techniques during the period (2023: same).

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

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

Except for the fair value loss arising from exchange differences, the Group has determined that the fair value of the unlisted investment as at 30 June 2024 approximates its fair value as at 31 December 2023 given the short time period in between. The Group has engaged an independent valuer to determine the fair value of the unlisted investment as at 31 December 2023, which was estimated by using the market approach.

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

Except for the fair value loss arising from exchange differences, the Group has determined that the fair value of the put option as at 30 June 2024 approximates its fair value as at 31 December 2023 given the short time period in between. The Group has engaged an independent valuer to determine the fair value of the put option as at 31 December 2023, which was estimated 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*

Except for the fair value loss arising from exchange differences, the Group has determined that the fair value of the unlisted investment as at 30 June 2024 approximates its fair value as at 31 December 2023 given the short time period in between. The Group has engaged an independent valuer to determine the fair value of the unlisted investment as at 31 December 2023, which was estimated by using market approach.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. REVENUE AND OTHER INCOME AND OTHER LOSSES, NET

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited) (Restated) (Note 26)
	HK\$'000	HK\$'000
Revenue		
Provision of digitized operation services	373,280	482,276
Revenue from sales of pharmaceutical and healthcare product	116,118	136,017
Provision of healthcare services	–	11,574
Revenue from film exhibition and license fee	–	375
	<b>489,398</b>	<b>630,242</b>
Other income and other losses, net		
Interest income	253	113
Gain on financial liabilities at fair value through profit or loss	4,243	–
Fair value change on financial asset at fair value through profit or loss (Note 16)	(106)	(558)
Fair value change on interest in an associate measured at fair value through profit or loss (Note 15)	(120)	(800)
Gain on disposal of subsidiaries	984	–
Gain/(loss) on disposal of property, plant and equipment	3,517	(264)
Waive of liabilities	–	334
Exchange losses, net	(310)	(3,150)
Others	353	247
	<b>8,814</b>	<b>(4,078)</b>

## 5. SEGMENT INFORMATION

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

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

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

There were no sales between the operating segments during the six months ended 30 June 2024 (2023: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (a) Business segment

The segment results for the six months ended 30 June 2024 are as follows:

	Digitized operation services in healthcare industry (Unaudited) HK\$'000	Smart healthcare services platform (Unaudited) HK\$'000	Entertainment and media (Unaudited) HK\$'000	Total continuing operations (Unaudited) HK\$'000	Discontinued operation: Healthcare and wellness service (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue	373,280	116,118	-	489,398	-	489,398
Share of result of an associate	-	-	(2,104)	(2,104)	-	(2,104)
Segment results	(16,855)	(4,583)	(2,104)	(23,542)	-	(23,542)
Exchange losses, net				(310)	-	(310)
Fair value change on financial asset at fair value through profit or loss – unallocated				(106)	-	(106)
Fair value change on interest in an associate measured at fair value through profit or loss – unallocated				(120)	-	(120)
Other unallocated expenses, net				(15,455)	-	(15,455)
Finance costs, net				(39,533)	-	(39,533)
Loss before taxation				(6,866)	-	(6,866)
Taxation				(46,399)	-	(46,399)
Loss for the period				215	-	215
Loss for the period attributable to non-controlling interests				(46,184)	-	(46,184)
Loss for the period attributable to equity holders of the Company				5,168	-	5,168
				(41,016)	-	(41,016)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

An analysis of the Group's assets and liabilities as at 30 June 2024 by segment and other information for the six months ended 30 June 2024 are as follows:

	Digitized operation services in healthcare industry (Unaudited) HK\$'000	Smart healthcare services platform (Unaudited) HK\$'000	Entertainment and media (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 30 June 2024 (unaudited):				
Segment assets	68,589	55,434	270,402	394,425
Unallocated assets				136,419
Total assets				530,844
Segment liabilities	83,838	59,135	-	142,973
Unallocated liabilities				223,934
Total liabilities				366,907
For the six months ended 30 June 2024 (unaudited):				
Other information:				
Purchases of property, plant and equipment				
– Allocated	57	-	-	57
– Unallocated				97
Depreciation of right-of-use assets				
– Allocated	927	71	-	998
– Unallocated				2,296
Depreciation of property, plant and equipment				
– Allocated	818	52	-	870
– Unallocated				20
Amortization of intangible assets	-	624	-	624

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The segment results for the six months ended 30 June 2023 are as follows:

	Digitized operation services in healthcare industry (Unaudited)	Smart healthcare services platform (Unaudited)	Entertainment and media (Unaudited)	Total continuing operations (Unaudited) (Restated) (Note 26) HK\$'000	Discontinued operation: Healthcare and wellness service (Unaudited) (Restated) (Note 26) HK\$'000	Total (Unaudited) HK\$'000
Revenue	482,276	147,591	375	630,242	57,420	687,662
Share of result of an associate	–	–	1,516	1,516	–	1,516
Segment results	(13,757)	(32,756)	1,908	(44,605)	9,829	(34,776)
Exchange losses, net				(3,150)	–	(3,150)
Fair value change on financial asset at fair value through profit or loss – unallocated				(558)	–	(558)
Fair value change on interest in an associate measured at fair value through profit or loss – unallocated				(800)	–	(800)
Other unallocated expenses, net				(16,679)	–	(16,679)
Finance costs, net				(65,792)	9,829	(55,963)
Loss before taxation				(1,196)	–	(1,196)
Taxation				(66,988)	9,829	(57,159)
				(218)	–	(218)
Loss for the period				(67,206)	9,829	(57,377)
Loss for the period attributable to non-controlling interests				13,535	–	13,535
Loss for the period attributable to equity holders of the Company				(53,671)	9,829	(43,842)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

An analysis of the Group's assets and liabilities as at 31 December 2023 by segment and other information for the six months ended 30 June 2023 are as follows:

	Digitized operation services in healthcare industry	Smart healthcare services platform	Entertainment and media	Total continuing operations (Restated) (Note 26)	Discontinued operation: Healthcare and wellness service (Restated) (Note 26)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2023 (Audited):						
Segment assets	143,993	49,267	285,524	478,784	-	478,784
Unallocated assets				47,508	-	47,508
Total assets				<u>526,292</u>	-	<u>526,292</u>
Segment liabilities	148,469	41,901	-	190,370	-	190,370
Unallocated liabilities				113,129	-	113,129
Total liabilities				<u>303,499</u>	-	<u>303,499</u>
For the six months ended 30 June 2023 (unaudited):						
Other information:						
Purchases of property, plant and equipment	29	19	-	48	2,197	2,245
Purchases of intangible assets	-	1,142	-	1,142	-	1,142
Depreciation of right-of-use assets						
- Allocated	624	1,736	-	2,360	10,371	12,731
- Unallocated				3,441	-	3,441
Depreciation of property, plant and equipment						
- Allocated	424	1,122	-	1,546	652	2,198
- Unallocated				18	-	18
Amortization of intangible assets	-	948	-	948	-	948

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (b) Geographical segment

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets <sup>Note</sup>	
	30 June 2024 (Unaudited) HK\$'000	30 June 2023 (Unaudited) (Restated) (Note 26) HK\$'000	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
The People's Republic of China (the "PRC")	489,398	629,867	42,187	47,957
Hong Kong	-	-	17,401	18,450
South Korea	-	-	196,088	211,086
Other countries	-	375	-	-
	<b>489,398</b>	<b>630,242</b>	<b>255,676</b>	<b>277,493</b>

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

(c) Revenue from major customers who have individually contributed 10% or more of the total revenue of the Group for the six months ended 30 June 2024 and 30 June 2023 are disclosed as follows:

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Customer A	104,113	96,956
Customer B	N/A	71,122
Customer C	N/A	69,650

Note: Revenue from customers B and C did not exceed 10 % of total revenue from six months ended 30 June 2024.

## 6. FINANCE COSTS, NET

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) (Restated) (Note 26) HK\$'000
<b>Finance costs</b>		
Interest on bank and other borrowings	(2,484)	(706)
Interest on issuance of convertible bonds (Note 27)	(4,096)	-
Interest on lease liabilities (Note 11)	(286)	(490)
<b>Finance costs, net</b>	<b>(6,866)</b>	<b>(1,196)</b>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) (Restated) (Note 26) HK\$'000
<b>Continuing Operations:</b>		
Depreciation of property, plant and equipment (Note 12)	890	1,564
Depreciation of right-of-use assets (Note 11)	3,294	5,801
Expense relating to short-term leases (Note 11)	2,100	2,259
Reversal of impairment of financial assets		
– Trade receivables	(1)	(22)
Amortization of intangible assets (Note 13)	624	948
Costs of digitized operation services in healthcare industry	252,039	283,961
Costs of inventories sold (Note 19)	104,162	125,337
Marketing and promotion expenses	119,872	197,005
Employee benefit expenses:		
Directors' fees	480	367
Wages and salaries	28,228	35,933
Contributions to defined contribution pension schemes	5,132	7,519
(Reversal)/expenses of share-based compensation	(3,356)	1,878
	<b>30,484</b>	<b>45,697</b>

## 8. TAXATION

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit in Hong Kong for the period (2023: same). Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the regions/countries in which the Group operates.

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Current income tax		
– Hong Kong profits tax	–	–
– PRC corporate income tax	–	–
Deferred income tax	215	(218)
Income tax credit/(expense)	<b>215</b>	<b>(218)</b>

The weighted average applicable tax rate for the six months ended 30 June 2024 was 20.58% (2023: 21.03%).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 9. 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 period.

	2024 (Unaudited)	2023 (Unaudited) (Restated) (Noted 26)
Weighted average number of ordinary shares in issue (thousands)	13,583,339	13,583,339
Loss from continuing operations attributable to equity holders of the Company (HK\$'000)	(41,016)	(53,671)
Basic loss per share from continuing operations attributable to equity holders of the Company (HK cents per share)	(0.30)	(0.39)
Profit from discontinued operations attributable to equity holders of the Company (HK\$'000)	-	9,829
Basic earnings per share from discontinued operations attributable to equity holders of the Company (HK cents per share)	-	0.07
Loss per share attributable to equity holders of the Company (HK cents per share)	(0.30)	(0.32)

For the six months ended 30 June 2024 and 2023, diluted loss per share equals to basic loss per share as the potential ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

## 10. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2024 (2023: Nil).

## 11. LEASES

### (i) Amounts recognized in the condensed consolidated interim balance sheet

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

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
<b>Right-of-use assets</b>		
Office	10,484	14,530
<b>Lease liabilities</b>		
Current	5,530	7,280
Non-current	5,789	8,150
	11,319	15,430

There was no addition to the right-of-use assets during the six months ended 30 June 2024 and 2023.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (ii) Amounts recognized in the condensed consolidated interim income statement

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

	Notes	30 June 2024 (Unaudited) HK\$'000	30 June 2023 (Unaudited) (Restated) (Note 26) HK\$'000
<b>Depreciation charge of right-of-use assets</b>			
Office		3,294	4,659
Apartment		-	1,142
	7	<b>3,294</b>	<b>5,801</b>
Interest expense (included in finance costs)	6	286	490
Expenses relating to short-term leases (included in administrative expenses)	7	2,100	2,259

The total cash outflow for leases for the six months ended 30 June 2024 was HK\$6,318,000 (2023: HK\$7,834,000).

## (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" (up and until 5 October 2023). Rental contracts are generally made for fixed periods of 6 months to 5 years, but may have extension and termination options as described in Note 11(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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 12. PROPERTY, PLANT AND EQUIPMENT

	Building (Unaudited) HK\$'000	Machinery and equipment (Unaudited) HK\$'000	Furniture, computer and equipment (Unaudited) HK\$'000	Leasehold improvements (Unaudited) HK\$'000	Motor vehicles (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Six months ended 30 June 2024</b>						
Opening net book amount	-	1	2,383	2,965	104	5,453
Additions	-	-	154	-	-	154
Disposal	-	-	(48)	-	-	(48)
Written-off	-	-	(1,114)	-	-	(1,114)
Depreciation (Note 7)	-	-	(194)	(686)	(10)	(890)
Exchange difference	-	-	(12)	(18)	(1)	(31)
Closing net book amount	-	1	1,169	2,261	93	3,524
<b>Six months ended 30 June 2023</b>						
Opening net book amount	-	556	5,962	5,305	2,120	13,943
Additions	-	28	98	19	2,100	2,245
Disposal	-	-	(439)	(31)	-	(470)
Written-off	-	-	-	(1,933)	(19)	(1,952)
Depreciation	-	(82)	(834)	(992)	(308)	(2,216)
Exchange difference	-	(18)	(170)	(119)	(94)	(401)
Closing net book amount	-	484	4,617	2,249	3,799	11,149

During the six months ended 30 June 2024, depreciation expenses of approximately HK\$845,000 (2023: HK\$2,073,000), HK\$10,000 (2023: HK\$35,000) and HK\$35,000 (2023: HK\$108,000) have been charged in administrative expenses, marketing and selling expenses and research and development expenses respectively.

## 13. INTANGIBLE ASSETS

	Licenses and softwares Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
<b>Six months ended 30 June</b>		
Opening net book amount	2,274	4,527
Additions	-	1,142
Amortization (Note 7)	(624)	(948)
Exchange differences	(15)	(144)
Closing net book amount	1,635	4,577
<b>As at 30 June</b>		
Cost	4,783	6,889
Accumulated amortization	(3,148)	(2,312)
Net carrying amount	1,635	4,577

During the six months ended 30 June 2024, amortization expenses of approximately HK\$585,000 (2023: HK\$905,000) and HK\$39,000 (2023: HK\$43,000) have been charged in administrative expenses and marketing and selling expenses respectively.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 14. GOODWILL

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Cost and net carrying amount as at 1 January	27,203	27,853
Exchange differences	(85)	(856)
Cost and net carrying amount as at 30 June	27,118	26,997

## 15. INTERESTS IN ASSOCIATES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
<b>Interest in an associate accounted for using the equity method</b>		
– Interest in HB Entertainment Co., Ltd.	196,088	211,086
<b>Interest in an associate measured at fair value through profit or loss</b>		
– Interest in Deep Sea Health Limited (Note)	16,827	16,947
	212,915	228,033

Set out below are the associates of the Group as at 30 June 2024 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 30 June 2024 and 31 December 2023 are as follows:

Name	Place of establishment and kind of legal entity	% of ownership interest		Principal activities and place of operation
		30 June 2024	31 December 2023	
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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Note: The Group has elected to measure the unlisted investment in DSH at fair value through profit or loss since the Group decides the unlisted investment in DSH has the characteristics of a venture capital investment.

The Group has determined that, except for the fair value change resulting from exchange differences, the fair value of the unlisted investment in DSH as at 30 June 2024 approximates its fair value as at 31 December 2023 given the short time period in between. The Group has engaged an independent valuer to determine the fair value of the unlisted investment in DSH as at 31 December 2023, which was estimated 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:

31 December 2023

Price-to-sales multiples	1.6
Discounts for lack of marketability	20%

During the six months ended 30 June 2024, net fair value loss of HK\$120,000 (2023: HK\$800,000) was recognized in the condensed consolidated interim income statement.

## 16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
<b>Non-current</b>		
<b>Investment in unlisted equity securities</b>		
– Beijing Yi Yao Liang Xin (Note a)	9,786	9,856
<b>Current</b>		
<b>Put option</b>		
– Deep Sea Health Limited (Note b)	5,013	5,049

Notes:

- (a) 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.

Except for the fair value loss arising from exchange differences of approximately HK\$70,000 (2023: HK\$453,000) during the six months ended 30 June 2024, the Group has determined that the fair value of YYLX as at 30 June 2024 approximates its fair value as at 31 December 2023 given the short period in between.

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

As at  
31 December 2023

<b>Unobservable inputs adopted</b>	
Price-to-sales multiples	3.74
Discounts for lack of marketability	38%

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

- (b) 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.

Except for the fair value loss arising from exchange differences of approximately HK\$36,000 (2023: HK\$105,000) during the six months ended 30 June 2024, the Group has determined that the fair value of the put option as at 30 June 2024 approximates its fair value as at 31 December 2023 given the short time period in between. The Group has engaged an independent valuer to determine the fair value of the put option as at 31 December 2023, which was estimated using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

As at 31 December 2023

## Unobservable inputs adopted

Expected volatility	44.61%
Expected dividend	0.00%
Exercise probability	55.00%
Risk-free interest rate	2.04%

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

## 17. TRADE AND BILLS RECEIVABLES

At 30 June 2024 and 31 December 2023, the aging analysis of the trade and bills receivables based on invoice date were as follows:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
0–3 months	46,603	88,001
4–6 months	5,570	6,642
7–9 months	652	341
10–12 months	3	–
Over 1 year	12,460	10,284
	<b>65,288</b>	105,268
Less: Provision for impairment	<b>(8,733)</b>	(8,832)
	<b>56,555</b>	96,436

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Prepayments	19,924	2,207
Deposits and other receivables	145,716	114,066
	<b>165,640</b>	<b>116,273</b>
Less: Provision for impairment of deposits and other receivables	(10,070)	(10,184)
Total net balance of prepayments, deposits and other receivables (Note)	<b>155,570</b>	<b>106,089</b>
Less: Non-current portion	(45,709)	(45,798)
Current portion	<b>109,861</b>	<b>60,291</b>

Note: The total net balance of prepayments, deposits and other receivables comprised the following significant components:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Unutilized film production investment amount (i)	56,812	56,812
Deposits paid for securing other borrowings (ii)	48,650	—
Other receivable generated from the discontinued operation of "Beijing Bayhood No. 9 Club" (iii)	23,689	23,858
Deposits paid to the suppliers of healthcare consumption business (iv)	14,426	19,139
Prepayment of interests on convertible bonds (Note 27)	6,049	—
Rental deposits	2,556	3,515
Others	3,388	2,765
	<b>155,570</b>	<b>106,089</b>

- (i) As detailed in the Company's announcement dated 10 December 2015, the Group has invested an aggregate amount equivalent to approximately HK\$369 million (the "Total Investment Amount") pursuant to a film production investment agreement entered into with an independent film producer in 2015. Over the time a portion of the Total Investment Amount was converted into the Group's investment in movie projects, while a portion of such amounts were not utilized and were returned back to the Group. The amount of HK\$56,812,000 (31 December 2023: HK\$56,812,000) as at 30 June 2024 represented the outstanding balance of the unutilized film investment amounts due from the film producer. On the other hand, the Group has received a security deposit (included in other payables of the Group) of approximately HK\$19,722,000 (31 December 2023: HK\$19,863,000) from an affiliate of the film producer as a pledge against these other receivables.
- (ii) As of 30 June 2024, the Group has paid deposits of approximately HK\$48,650,000 (31 December 2023: Nil) for securing certain of its other borrowings equivalent to approximately HK\$48,429,000 (31 December 2023: Nil) (Note 21).
- (iii) The amount represented the net receivable amount due from Beijing Bayhood No. 9 Business Hotel Company Limited generated from the Group's discontinued operation in relation to Healthcare and Wellness Services – Beijing Bayhood No. 9 Club (Note 26).
- (iv) The amount represented deposits paid to the suppliers of pharmaceutical products by a subsidiary of the Group in relation to the healthcare consumption business of "Meerkat Health", so as to secure the purchases of certain pharmaceutical products, especially for those with high demand but limited supply in the market.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 19. INVENTORIES

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Finished goods	<b>2,276</b>	4,332

The cost of inventories sold of approximately HK\$104,162,000 (2023: HK\$125,337,000) was recognized as expense and included in "Cost of sales" in the condensed consolidated interim income statement for the six months ended 30 June 2024.

No provision of impairment of inventories was recognized for the six months ended 30 June 2024 (2023: Nil).

## 20. CASH AND CASH EQUIVALENTS

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Cash and bank balances	<b>45,968</b>	27,037
Denominated in:		
HK\$	<b>9,030</b>	1,325
RMB	<b>36,937</b>	23,490
US\$	<b>1</b>	2,222
	<b>45,968</b>	27,037
Maximum exposure to credit risk	<b>45,935</b>	27,005

The Group's cash and bank balances of approximately HK\$36,937,000 (31 December 2023: HK\$23,490,000) as at 30 June 2024 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 21. BANK AND OTHER BORROWINGS

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Current:		
Bank borrowing (Note a)	5,478	3,367
Other borrowings (Note b)	48,539	68,864
	<b>54,017</b>	72,231
Non-current:		
Other borrowings (Note b)	19,941	–
	<b>73,958</b>	72,231
Denominated in:		
RMB	73,958	71,231
HK\$	–	1,000
	<b>73,958</b>	72,231

As at 30 June 2024 and 31 December 2023, carrying amounts of bank and other borrowings approximated their fair values and were denominated in RMB.

Note a: As at 30 June 2024, bank borrowing is secured (31 December 2023: secured), interest bearing at 3.45% (31 December 2023: 3.45%) and repayable within 1 year (31 December 2023: 1 year).

Note b: As at 30 June 2024, approximately HK\$48,429,000 (31 December 2023: Nil) of the other borrowings are secured by deposits of approximately HK\$48,650,000 (Note 18). The remaining other borrowings of approximately HK\$20,051,000 (31 December 2023: HK\$68,864,000) are unsecured.

Approximately HK\$48,539,000 (31 December 2023: HK\$68,864,000) and HK\$19,941,000 (31 December 2023: Nil) of the other borrowings are repayable within 1 year and 2 years, respectively. The Group has unconditional rights to extend the maturity date of certain other borrowings amounting to approximately HK\$26,625,000 (31 December 2023: HK\$43,092,000) for one more year.

Approximately HK\$16,435,000 (31 December 2023: HK\$18,759,000) of the other borrowings are interest-bearing at a weighted average rate of 6.00% (31 December 2023: 6.00%) per annum. The remaining other borrowings of approximately HK\$ 52,045,000 (31 December 2023: HK\$50,105,000) are interest-free.

## 22. TRADE PAYABLES

The aging analysis of the trade payables based on invoice date were as follows:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
0–3 months	46,788	101,068
3–6 months	5,364	5,423
Over 6 months	59	1,624
	<b>52,211</b>	108,115

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 23. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUED LIABILITIES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Current liabilities:		
Other payables and accrued liabilities (Note i)	63,732	74,757
Contract liabilities (Note ii)	4,891	4,918
	<b>68,623</b>	<b>79,675</b>

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.

## 24. SHARE CAPITAL

	Ordinary shares of HK\$0.02 each		Preference shares of HK\$0.01 each		Total HK\$'000
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000	
Authorized:					
<b>At 30 June 2024 (Unaudited)</b>	<b>150,000,000</b>	<b>3,000,000</b>	<b>240,760</b>	<b>2,408</b>	<b>3,002,408</b>
At 31 December 2023 (Audited)	150,000,000	3,000,000	240,760	2,408	3,002,408
Issued and fully paid:					
<b>At 1 January 2024 and 30 June 2024</b>	<b>13,585,339</b>	<b>271,707</b>	-	-	<b>271,707</b>
At 1 January 2023 and 30 June 2023	13,585,339	271,707	-	-	271,707

### Share Option

The previous share option scheme adopted by the Company on 21 June 2022 (the "2022 Share Option Scheme") has been terminated on 21 June 2024. No share option has been granted pursuant to the 2022 Share Option Scheme and no further share options could be granted by the Company under such scheme upon its termination. At the same time, the Company adopted a new share option scheme (the "New Share Option Scheme") on 21 June 2024, 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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. The minimum holding period for the vesting or exercise of the options is 12 months 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 condensed consolidated interim income statement accordingly (2023: Nil).

During the six months ended 30 June 2024, no share options were granted, exercised, cancelled or lapsed, and there was no outstanding option under the New Share Option Scheme as at 30 June 2024 (2023: 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. On 21 June 2024, pursuant to a resolution passed on the extraordinary general meeting of the Company on the same date, the Share Award Scheme was further amended to bring it in line with the latest requirements of the Listing Rules. 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 six months ended 30 June 2024, nil (2023: 15,000,000) shares were granted to selected participants pursuant to the Share Award Scheme. During the six months ended 30 June 2024, 15,000,000 (2023: nil) shares were forfeited because the vesting conditions had not been fulfilled. For the six months ended 30 June 2024, reversal of share-based compensation expense recognized in the condensed consolidated interim income statement for share awards was approximately HK\$3,356,000 (2022: share-based compensation expense HK\$1,878,000).

The fair value of the awarded shares granted during the six months ended 30 June 2023 of HK\$0.140 per share was calculated based on the closing price of the Shares at the date of grant.

## 25. DEEMED DISPOSAL OF PARTIAL INTERESTS IN SHAANXI YIZHINUO INFORMATION TECHNOLOGY COMPANY LIMITED ("YZN")

In April 2023, the Company has entered into a capital increase agreement and a shareholders' agreement (the "YZN Capital Increase Agreements") with 張家港翼唐股權投資合夥企業(有限合夥) (Zhangjiagang Yitang Equity Investment Partnership (Limited Partnership)) (the "New Investor") and other relevant parties. Pursuant to the YZN Capital Increase Agreements, the New Investor has conditionally agreed to make a capital contribution in total of RMB40,000,000 in cash to YZN in two instalments (the "YZN Capital Increase"). The New Investor will be interested in approximately 6.25% of the enlarged equity interest in YZN and the Group's interest in YZN will be diluted from 51% to approximately 47.81%. In addition, as part of an incentive measure to the employees of the YZN Group provided for under the YZN Capital Increase Agreements, the Group, Mr. WANG Jian and Ms. SHANG Jing has undertaken to respectively transfer approximately 1.63%, 0.60% and 0.58% of the total equity interest in YZN (as enlarged by the YZN Capital Increase) to the specific entity solely for the purpose of managing YZN's employee stock ownership plan by no later than 31 December 2024, following which the Group's interest in YZN will be further reduced to approximately 46.18%.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Pursuant to the relevant provisions in the YZN Capital Increase Agreements, the Group controls the appointment of more than half of the total number of directors to the board of YZN. Accordingly, the Group has the right to direct the relevant activities, including but not limited to budgeting, pricing and strategies planning, of YZN Group (as defined below). As a result, YZN will continue to be an indirect non-wholly owned subsidiary of the Company and the financial results of YZN Group (as defined below) will continue to be consolidated into the consolidated financial statements of the Group.

In addition, pursuant to the YZN Capital Increase Agreements, YZN shall use all endeavours to achieve the initial public offering of YZN on a reputable securities exchange within 5 years (“Qualified IPO”). If YZN fails to complete a Qualified IPO or fails to be entirely acquired within the said period, the New Investor may require YZN to repurchase all or part of its equity interest held in YZN in cash at cost of the New Investor plus interest at 10% per annum. Accordingly, the capital contribution received/to be received by YZN is accounted for as the Group’s long-term financial liabilities.

In conjunction with the YZN Capital Increase, a reorganization (the “Reorganization”) would be carried out, by which YZN would become the holding company of Pingtan Xinban Clinic Company Limited (“PTXB”) and in turn PTXB would become 100% owned by YZN, in order that the New Investor would be acquiring equity interest in YZN (the principal revenue generating entity) as the holding company of the YZN and its subsidiaries including PTXB (the “YZN Group”). After the registration of the New Investor as a 6.25% shareholder of YZN, the Group’s percentage interest in YZN had been diluted to below 50% for which the Group was permitted under applicable PRC laws and regulations to directly hold equity interest in YZN, and therefore the VIE structure in respect of the YZN Group would no longer be necessary and all relevant VIE contractual arrangements would be terminated (the “VIE Termination”).

In connection with the YZN Capital Increase Agreements, the Company also entered into the fourth supplemental agreement (the “Fourth Supplemental Agreement”) with the relevant parties in May 2023. Pursuant to the Fourth Supplemental Agreement, upon completion of the Reorganization and VIE Termination, the terms under the Capital Increase and Acquisition Agreement (as amended by the Third Supplemental Agreement) in relation to the Further Acquisition, the First Performance Target and the Second Performance Target had been abolished.

In November 2023, the relevant parties entered into the YZN Capital Increase Supplemental Agreement, pursuant to which a further group reorganization would be carried such that Yizhinuo Technology (Suzhou) Co., Ltd. (“Suzhou YZN”) would become the holding company of YZN, the OPCO and other subsidiaries within the YZN Group (“Suzhou YZN Reorganization”).

As of 31 December 2023, the YZN Group had already received the first instalment of YZN Capital Increase amounting to RMB24 million (equivalent to approximately HK\$26,031,000) which is recorded as the Group’s long-term financial liabilities. All of the above-mentioned steps had been completed as at 31 December 2023 except for the completion of Suzhou YZN Reorganization and the receipt of the second instalment of YZN Capital Increase amounting to RMB16 million (equivalent to approximately HK\$17,531,000), both of which were subsequently completed in January 2024.

## 26. DISCONTINUED OPERATION

As detailed in the Company’s announcements dated 15 May 2015 and 28 December 2020, Haikou Jiu hao Hotel Management Company Limited Beijing Branch (“Haikou Beijing Branch”), an indirect wholly-owned subsidiary of the Company, has entered into a set of club lease agreements (the “Club Lease Agreement”) with Beijing Bayhood No. 9 Business Hotel Company Limited (the “Lessor”) pursuant to which the assets relevant to the operations of “Beijing Bayhood No. 9 Club” were leased to Haikou Beijing Branch for a term of twenty years starting from 6 October 2015. The total lease term of twenty years was divided into six rental periods. The first rental period of five years has ended on 5 October 2020. The remaining lease term of fifteen years starting from 6 October 2020 were to be divided into five rental periods of three years each. Haikou Beijing Branch has an option to early terminate the Club Lease Agreement by giving advance notice to the Lessor prior to the expiry of each rental period. On 3 April 2023, Haikou Beijing Branch has delivered an advance notice to the Lessor to

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

early terminate the Club Lease Agreement after the expiry of the second rental period by 5 October 2023. Since the early termination of the Club Lease Agreement by 5 October 2023, the Group has no longer engaged in the operation of "Bayhood No. 9 Club". As the operation of "Healthcare and Wellness Services – Beijing Bayhood No. 9 Club" is considered as a separate major line of business, it is accounted for as discontinued operation.

Analysis of the result of discontinued operation in relation to Healthcare and Wellness Services – Beijing Bayhood No. 9 Club is as follows:

	During the six months ended 30 June 2023 HK\$'000
Revenue	57,420
Cost of sale	(30,664)
Gross profit	26,756
Other income and other (losses)/gains, net	50
Administrative expenses	(16,977)
Net reversal or impairment of financial assets	–
	9,829
Finance costs, net	–
Profit before tax from discontinued operation	9,829
Tax	–
Profit for the period from discontinued operation	9,829

## 27. CONVERTIBLE BONDS

References are made to the Company's announcements dated 7 March 2024, 21 March 2024 and 26 March 2024 (the "**Announcements**"). The Company has issued 10% convertible bonds due March 2026 with an aggregate principal amount of HK\$120,000,000 in March 2024. The principal terms of the Convertible Bonds are set out below:

Principal amount: HK\$120,000,000 in two tranches (namely Tranche A Bonds of an aggregate principal amount of HK\$60,000,000, and Tranche B Bonds of an aggregate principal amount of HK\$60,000,000).

Interest: 10% per annum (payable in advance on the date of issue of the Convertible Bonds ("**Issue Date**"), and on a half-yearly basis on 30 June and 31 December in each year falling after the Issue Date (each an "**Interest Payment Date**").

Maturity Date: the second anniversary of the Issue Date of the Tranche A Bonds.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Conversion rights: At any time after the Issue Date and up to and inclusive of the Maturity Date, the holder of the Convertible Bonds (the "**Holder**") shall have the right, but not the obligation to convert, in whole or in part, the outstanding principal amount of the Convertible Bonds into such number of Conversion Shares (as defined thereafter) as determined by dividing the outstanding principal amount of the Convertible Bonds to be converted by the Conversion Price (as defined thereafter) in effect on the relevant conversion date.

Conversion Price: HK\$0.1014 per Share, subject to adjustment for, among other things, capitalisation issue, sub-division, consolidation and reclassification of shares, issue of shares in lieu of the whole or any part of a specifically declared cash dividend, capital distributions, cash dividend, offers to shareholders, issue of new shares for convertible or exchangeable securities at discount, issue of new shares at discount, consideration issues and other dilutive events.

The Conversion Price may not be reduced so that, on conversion of the Convertible Bonds, Shares would fall to be issued below their nominal amount.

Conversion Shares: Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price of HK\$0.1014 per Share, the Convertible Bonds will be convertible into a total of 1,183,431,952 new shares of the Company.

Redemption at option of the Company: The Company shall have the right, by giving not less than 30 days' prior written notice to the Holder, to redeem in whole or in part the Convertible Bonds (which shall be in integral multiples of HK\$1,000,000) for the time being outstanding (the "**Issuer Redemption Bonds**") at 100% of the principal amount and any accrued but unpaid interest (after deducting any interest prepaid but unaccrued) (the "**Redemption Amount**") for such Issuer Redemption Bonds (each an "**Issuer Redemption**"). There shall be no more than three (3) Issuer Redemptions in total.

Redemption at maturity: Unless previously redeemed or converted in full, the Company shall redeem all the Convertible Bonds held by a Holder on the Maturity Date by paying the Holder the Redemption Amount.

The component parts of the Convertible Bonds are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue of the Convertible Bonds, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method (at an effective interest rate of 13.76%) until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the Convertible Bonds as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The movement of the Convertible Bonds as of 30 June 2024 is set out as below:

	Liability component HK\$'000 (Unaudited)	Equity component HK\$'000 (Unaudited)	Total fair value HK\$'000 (Unaudited)
As at 1 January 2024	–	–	–
Issuance of convertible bonds	113,553	2,204	115,757
Effective interest charged (Note 6)	4,096	–	4,096
Interest paid	(3,238)	–	(3,238)
As at 30 June 2024	114,411	2,204	116,615

The difference of HK\$4,243,000 between the fair value and nominal value (i.e. the aggregate principal amount of HK\$120,000,000 of the Convertible Bonds upon issuance) was recognized as an one-off gain through profit or loss (Note 4).

No conversion or redemption of the Convertible Bond has occurred up to 30 June 2024.

## 28. RELATED PARTY BALANCES AND TRANSACTIONS

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
<u>Related Party Balances</u>		
Trade receivables		
– Huayi Brothers Film Co., Ltd	–	669
Other borrowings (unsecured and non-interest bearing)		
– Mr. YUEN Hoi Po, an executive director and CEO of the Company	1,424	19,207
– Ms. DONG Yu, a director of a subsidiary of the Company, and her associates	2,191	2,207
	3,615	21,414
	<b>Six months ended 30 June</b>	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
<u>Related Party Transactions</u>		
Service fees		
– Tencent Cloud Computing (Beijing) Company Limited, a wholly-owned subsidiary of Tencent Holdings Limited which is a substantial shareholder of the Company	–	800

## 29. CONTINGENT LIABILITIES

As at 30 June 2024, there are no material contingent liabilities to the Group (31 December 2023: Nil).



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Non-executive Director

Mr. ZHAO John Huan (*Chairman*)

### Executive Directors

Mr. CHENG Wu (*Chief Executive Officer*)

Mr. YUEN Hoi Po (*President*)

### Independent Non-executive Directors

Mr. YUEN Kin

Mr. CHU Yuguo

Ms. WANG Song Song

Ms. PAN Min

## COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. HAU Wai Man, Raymond

## INDEPENDENT AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

Register Public Interest Entity Auditor

## PRINCIPAL BANKERS

DBS Bank Ltd., Hong Kong Branch

Hang Seng Bank

The Hongkong and Shanghai Banking Corporation Limited

## SOLICITORS

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Woo Kwan Lee & Lo

Quantao Law Firm

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