



太陽娛樂集團
SUN ENTERTAINMENT GROUP

**SUN
ENTERTAINMENT
GROUP LIMITED**

(formerly known as “SAGE INTERNATIONAL GROUP LIMITED” in English
and “仁智國際集團有限公司” in Chinese)
(Incorporated in the Cayman Islands and continued in
Bermuda with limited liability)

STOCK CODE: 8082

**ANNUAL
REPORT 2019**

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This report, for which the directors of Sun Entertainment Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange for the purpose of giving information with regard to Sun Entertainment Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this report misleading.

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Dong Choi Chi, Alex (*Chairman*)
Mr. Chong Cho Lam (*Chief Executive Officer*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick
Mr. Ting Kit Lun

COMPANY SECRETARY

Mr. Jip Ki Chi

COMPLIANCE OFFICER

Mr. Dong Choi Chi, Alex

ADMINISTRATION COMMITTEE

Mr. Dong Choi Chi, Alex (*Chairman*)
Mr. Chong Cho Lam

AUDIT COMMITTEE

Mr. Chan Wai Man (*Chairman*)
Mr. Siu Hi Lam, Alick
Mr. Ting Kit Lun

NOMINATION COMMITTEE

Mr. Ting Kit Lun (*Chairman*)
Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick

REMUNERATION COMMITTEE

Mr. Siu Hi Lam, Alick (*Chairman*)
Mr. Chan Wai Man
Mr. Ting Kit Lun

RISK MANAGEMENT COMMITTEE

Mr. Ting Kit Lun (*Chairman*)
Mr. Chong Cho Lam
Mr. Jip Ki Chi

AUTHORISED REPRESENTATIVES

Mr. Dong Choi Chi, Alex
Mr. Jip Ki Chi

AUDITOR

Ernst & Young

SOLICITOR

Michael Li & Co.

REGISTERED OFFICE

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Hong Kong

PRINCIPAL SHARE REGISTRAR

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41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
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PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

STOCK CODE

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Chairman's Statement

I am pleased to present the Group's annual report for the financial year ended 31 December 2019.

During the year, the Group had changed its name from Sage International Group Limited to Sun Entertainment Group Limited. The Board considers that the proposed change of Company name will better reflect the business nature of the Group and further emphasis its long term strategy to become a leading player in the media and entertainment industry. The year 2019 was exceptionally difficult for the entertainment sector in Hong Kong. The Group's revenue and profitability have been severely affected since the second half of 2019 by the social unrest in Hong Kong. The Group's turnover dropped by approximately 18.91% to HK\$126.25 million (year 2018: HK\$155.68 million). The decrease was mainly due to unexpectedly low admission rate of certain exhibitions organised by the Group in the second half of year 2019.

During the year under review, the Group had organised and invested in a total of 35 concerts (concerts in 2018: 12) including the Jacky Cheung A Classic Tour– Hong Kong Finale, Along With Ekin Live Concert 2019, MAYDAY JUST ROCK IT 2019藍BLUE –香港, Westlife The Twenty Tour in Bangkok, Macao and Singapore, Eric周興哲《你·好不好 HOE ARE YOU BEEN/Asian Tour》, etc, which generated majority of the Group revenue for the year 2019. The Group recorded a loss for the year of approximately HK\$51.55 million (2018: loss for the year of approximately HK\$10.71 million) in which a total of approximately HK\$13.31 million was recognised as share-based payment expense (non-cash in nature) for the year. The Company wishes to emphasise that the share-based payment expense is non-cash in nature which has no impact on the Group's cashflow. Loss attributable to owners of the Company was approximately HK\$49.12 million (2018: approximately HK\$8.26 million), the significant increase in loss attributable to owners of the Company was primarily attributable to (i) the social unrest in Hong Kong since June 2019 resulting in lower than expected performance of certain exhibition projects and recorded net loss of approximately HK\$14.07 million, (ii) the non-cash share base payment expense of approximately HK\$13.31 million described above and (iii) impairment loss on certain investments in film and drama production of approximately HK\$5.15 million.

As at 31 December 2019, the Group's equity attributable to owners of the Company amounted to approximately HK\$90.08 million (2018: approximately HK\$105.05 million) and the net asset value per share was HK\$0.073 (2018: HK\$0.090).

OUTLOOK

The year 2019 was a challenging year for most of the business sectors in Hong Kong. The outbreak of social unrest in second half of year 2019 continued to affect our entertainment businesses in Hong Kong, causing unexpected low occupancy rate in certain projects organised by the Group and a number of our concert events were forced to be postponed or even been cancelled. With the interruption brought by the coronavirus pandemic (COVID-19) in early 2020, the Group's financial results may further be affected due to the overall market condition. Having said that, the Group believes that the outbreak of the coronavirus pandemic (COVID-19) will have short term effects on the entertainment sector in the region. The Group will respond to forthcoming market challenges and capture business opportunities by focusing on high quality entertainment related projects with proven track records and commercial viability. In addition, the Group will further explore strategic alliances as well as investment opportunities to enrich its portfolio and broaden its income stream.

APPRECIATION

Lastly, I would like to thank our shareholders, customers, business associates and other relevant authorities for their support. My appreciation also goes to the management team and all the employees for their dedication, support and loyalty to the Group in this difficult time.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the total revenue of the Group (which was mainly arising from media and entertainment and cremation and funeral services businesses) was approximately HK\$126,247,000 which was 18.91% lower than the corresponding period of last year of approximately HK\$155,678,000. The decrease was mainly due to social unrest in Hong Kong since June 2019 which resulted in lower than expected performance of the exhibitions organised by the Group.

Other income and gains

Other income and gains increased from approximately HK\$1,672,000 to approximately HK\$4,744,000. The increase was mainly attributable to fair value gain on investment in a film right of approximately HK\$2,282,000 recorded during the year but nil in the corresponding period of last year.

Selling, marketing and distribution expenses

Selling, marketing and distribution expenses for the year ended 31 December 2019 were approximately HK\$19,258,000, being 15.25% of total revenue, as compared to the amount for the corresponding period of last year of approximately HK\$11,718,000, being 7.53% of total revenue. The significant increase in selling, marketing and distribution expenses was mainly arising from exhibitions organised by the Group of approximately HK\$5,869,000 recorded during the year, while the revenue generated by the exhibitions was relatively low.

General and administrative expenses

General and administrative expenses for the year ended 31 December 2019 amounted to approximately HK\$43,172,000 which was 36.94% higher than the amount for the corresponding period of last year of approximately HK\$31,527,000. The increase was primarily attributable to the non-cash share-based payment expense of approximately HK\$12,937,000 in relation to share options granted to several grantees while the share-based payment expense was approximately HK\$7,793,000 in the corresponding period of last year.

Other expenses, net

Other expenses mainly consist of (i) co-investors' share of net income/net loss from entertainment events organised by the Group; and (ii) impairment loss on drama and film production of approximately HK\$5,153,000.

Loss for the year

The Group's loss for the year was approximately HK\$51,552,000 (2018: HK\$10,714,000). The significant increase in loss for the year 2019 was mainly attributable to (i) social unrest in Hong Kong since June 2019 which resulted in lower than expected performance of the exhibitions organised by the Group and recorded net loss of approximately HK\$14,070,000; (ii) non-cash share-based payment expense recognised for certain share options granted by the Company in the prior year, including amount recognised as a result of an acceleration of vesting upon the cancellation of certain share options during the current year, in the aggregate of approximately HK\$5,988,000; (iii) non-cash share-based payment expense recognised for certain share options granted by the Company during the year of approximately HK\$6,949,000; and (iv) impairment loss on certain drama and film production of approximately HK\$5,153,000.

Net assets

Net assets of the Group as of 31 December 2019 amounted to approximately HK\$91,712,000 as compared to approximately HK\$109,169,000 as of 31 December 2018.

OPERATION REVIEW

Media and entertainment business

During the year ended 31 December 2019, the total revenue from media and entertainment business was approximately HK\$115,427,000, which was 20.38% lower than that of the corresponding period of approximately HK\$144,968,000. During the year, revenues were mainly comprised of concert organisation income, sponsorship income, gain on investments in concert projects as well as income from other entertainment events. The Group has organised and invested in a total of 35 concerts (concerts in 2018: 12) and organised certain exhibitions namely「吉卜力的動畫世界」展覽2019香港站 and 變變變! Move 生物體驗展•香港站. The significant increase in loss was mainly attributable to social unrest in Hong Kong since June 2019 which resulted in lower than expected performance of the exhibitions organised by the Group.

Cremation and funeral services business *Huaiji funeral parlour*

Cremation business operation in Huaiji was performing steadily during the year ended 31 December 2019 and its total revenue for the year (including relevant government subsidies received) was approximately HK\$10,820,000, which was 3.54% higher than that of the corresponding period of last year of approximately HK\$10,450,000.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had cash and cash equivalents of approximately HK\$19,039,000 (as at 31 December 2018: HK\$37,972,000) and the total assets of the Group were approximately HK\$149,088,000 (as at 31 December 2018: HK\$138,999,000). As at 31 December 2019, the net current assets of the Group were approximately HK\$51,876,000 (as at 31 December 2018: HK\$76,912,000) and the Group's current ratio, which represents current assets over its current liabilities, was approximately 1.98 times (as at 31 December 2018: 4.12 times). The gearing ratio of the Group as at 31 December 2019 (calculated as total liabilities of HK\$57,376,000 over equity attributable to owners of the Company of HK\$90,077,000) was 63.70% (as at 31 December 2018: 28.39%).

As at 31 December 2019, the Group borrowed a loan with outstanding principal amount of RMB300,000 at interest rate of 5% per annum from a company beneficially owned by a Director. On 17 February 2020, the Group has fully settled the loan and interest incurred thereon.

INVESTMENT POSITION AND PLANNING

The Group will continuously undertake researches and identify potential media and entertainment, as well as cremation and funeral services related business investment opportunities to enhance its business portfolio.

INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the consolidated financial statements, there were no other significant investments held, and no material acquisitions or disposals of subsidiaries for the Group during the year.

CURRENCY RISK EXPOSURE

The Group has certain operations in Mainland China, whose net assets might be exposed to foreign currency exchange risk. The Group currently does not have a foreign currency policy to hedge its currency exposure arising from the net assets of the Group's foreign operations. Otherwise, the Group has no material exposure to foreign currency risk as the majority of the Group's assets of its operating units are denominated in their respective functional currency of either Hong Kong Dollars or Renminbi.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 63 employees and including Directors (31 December 2018: 59). During the year ended 31 December 2019, short term employee benefits, which represented a key component of the total staff costs for the year ended 31 December 2019, included salaries, wages, bonuses and allowances, Directors' remuneration and share-based payments. The Group's employee remuneration packages are mainly determined on the basis of individual performance and experience and also having industry practice, which include basic wages and performance related bonuses. The Group also provides provident fund schemes and medical insurance scheme for its employees. The Company also grants share awards to eligible person under the Company's share award scheme and grants share options to the Directors and eligible employees. Details of the share options scheme and share award scheme are set out in note 28 to the consolidated financial statements.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets and the Group did not have any significant contingent liabilities as at 31 December 2019.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is committed to achieving a high standard of corporate governance that can properly protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company.

During the year ended 31 December 2019, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 15 to the Listing of Securities on the GEM of the Exchange ("GEM Listing Rules") except for the deviations from the Code provisions A.2.7, details of which is set out in the section headed "Attendance of Individual Directors and Senior Management" respectively in this Corporate Governance Report.

DIRECTORS' SECURITIES TRANSACTIONS

Securities transactions by Directors

The Company has established written guidelines for the required standard of dealings in securities by directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"). Having made specific enquiries of all Directors, the Directors confirmed that they have fully complied with the requirements under the Required Standard of Dealings and there was no other event of non-compliance during the year ended 31 December 2019.

THE BOARD

As at the date of this report, the Board comprises two executive Directors and three independent non-executive Directors. Each of the Directors has the relevant experience, competence and skills appropriate to the requirements of the business of the Company. The names of independent non-executive Directors are expressly identified and disclosed in all corporate communications of the Company. Independent non-executive Directors are invited to serve on the audit, nomination, remuneration and risk management committees of the Company. None of the members of the Board is related to one another. For the year ended 31 December 2019, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors. The composition of the Board reflects the necessary balanced skills and experience for effective leadership. The profiles of each Director are set out in the "Biographical Details of Directors and Senior Management" section in this annual report.

CHANGE IN INFORMATION OF DIRECTOR(S)

With effect from 17 June 2019, (i) Mr. Dong Choi Chi, Alex, has been appointed as a chairman ("Chairman") of the Board; and (ii) Mr. Chong Cho Lam has been appointed as the chief executive officer ("CEO") of the Company.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the code provision A.2.1 of the CG Code, the roles of the Chairman and CEO should be separate and should not be performed by the same individual.

Following the resignation of Mr. Chui Bing Sun on 19 March 2018, he ceased to act as the Chairman of the Board and CEO of the Company with immediate effect. Since then, decisions of the Company are made by the executive Director, Mr. Dong Choi Chi, Alex, who focuses on evaluating new potential business and investment opportunities and formulating and implementing business strategies to enhance the revenue and growth potential of the Company.

With effect from 17 June 2019, (i) Mr. Dong Choi Chi, Alex, has been appointed as the Chairman of the Board; and (ii) Mr. Chong Cho Lam has been appointed as the CEO of the Company. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The CEO, supported by the executive Director, is responsible for managing the Group's business, including implementation of objectives, policies and major strategies and initiatives adopted by the Board.

In order to discharge the duties, all Directors are entitled to seek independent professional advice, if necessary, at the Company's expense and Directors and Officers Liability Insurance cover was arranged and subject to annual review. The overall management of the Company's business is vested in the Board. The Board is responsible for overseeing all major matters of the Company which include formulating and approving the Company's operational strategies, management policies, internal control and risk management systems, reviewing the Company's policies and practices on corporate governance, setting the objectives and targets with a view to enhance the Shareholders' value for the management, monitoring performance of the management and providing guidance to the management. The Directors have to make decisions objectively in the interests of the Company. The Board is accountable to the shareholders, in a responsible and effective manner leading the Company. The day-to-day management, administration and operation of the Company are delegated to the senior management of the Company which includes evaluating businesses and operational performance, ensuring effective implementation of the Board's decisions, ensuring adequate funding and monitoring performance of the management of the Company. The senior management of the Company is being closely monitored by the Board and is accountable for the performance of the Company as measured against the business targets and management directions set by the Board.

BOARD COMMITTEE

The Board delegates its power and authorities from time to time to the Board Committees in order to ensure the operational efficiency and specific issues are being handled by relevant expert. The Board currently has five Board Committees, namely, Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee and Administration Committee with respective terms of reference which clearly defined its authorities and duties. The terms of reference of Audit Committee, Remuneration Committee and Nomination Committee are available on the website of each of the Exchange and the Company.

The Chairman of the Board Committees reports regularly to the Board of their work, findings and recommendations. All Board Committees are provided with accurate and sufficient information in timely manner so as to enable the Board Committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties and may have access to external professional advice, if necessary, at the Company's expense.

Corporate Governance Report

AUDIT COMMITTEE

Members	Three independent non-executive Directors, namely Mr. Chan Wai Man (committee Chairman), Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun
Major responsibilities	<ul style="list-style-type: none"> • reviewing the accounting policies and supervising the Company's financial reporting process; • reviewing and monitoring the integrity of consolidated financial statements and the annual report, interim report and quarterly reports; • monitoring the effectiveness of financial controls, internal control and risk management systems; • considering and recommending the appointment, re-appointment and removal of external auditor of the Company; and • acting as the key representative body responsible to oversee the relationship between the Company and the external auditor, include the relationships involving the provision of non-audit services.
Major work performed during the year 2019	<ul style="list-style-type: none"> • reviewing and making recommendations for the Group's annual, interim and quarterly financial statements and the related results announcements; • reviewing the report of external auditor; • reviewing the effectiveness of risk management and internal control system; • reviewing external audit planning for the year ended 31 December 2019; • discussing the audit findings with external auditor and the related management responses; • making recommendations to the Board, subject to the shareholders' approval at the 2019 annual general meeting, the appointment of external auditor of the Company; • reviewing of the development in accounting standards and its effects on the Group, and financial reporting matters; • reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training program and budget; and • reviewing the Company's compliance with CG Code and disclosure in the Corporate Governance Report.

Corporate Governance Report

NOMINATION COMMITTEE

Members

Three independent non-executive Directors, namely Mr. Ting Kit Lun (committee Chairman), Mr. Chan Wai Man and Mr. Siu Hi Lam, Alick

Major responsibilities

- reviewing the structure, size and composition of the Board;
- formulating policies and making recommendations to the Board on nominations, appointment of Directors and Board succession; and
- assessing the independence of the independent non-executive Directors.

Major work performed during the year 2019

- conducting a review of the Board diversity, assessing the independence of the independent non-executive Directors and the contributions of the Board members and recommending the submission of the proposal on Directors' re-election at the forthcoming 2019 annual general meeting; and
- formulating the nomination policy.

REMUNERATION COMMITTEE

Members

Three independent non-executive Directors, namely Mr. Siu Hi Lam, Alick (committee Chairman), Mr. Chan Wai Man and Mr. Ting Kit Lun

Major responsibilities

- making recommendation to the Board on the Company's policies and structure for the remuneration of the Directors and senior management;
- determining the remuneration packages of all executive Directors and senior management; and
- ensuring the remuneration offered to the Directors and senior management of the Company is appropriate for the duties and in line with market practice.

Major work performed during the year 2019

- reviewing and approving performance-based remuneration of all executive Directors and senior management;
- ensuring that no Director or any of his associates is involved in deciding his own remuneration; and
- ensuring the existing terms of employment of all executive Directors and appointment letters of independent non-executive Directors of the Company are fair and reasonable.

Corporate Governance Report

RISK MANAGEMENT COMMITTEE

Members	Current members: An independent non-executive Director, namely Mr. Ting Kit Lun (committee Chairman), an executive Director, namely Mr. Chong Cho Lam, and the Chief Financial Officer, namely Mr. Jip Ki Chi	
Major responsibilities	<ul style="list-style-type: none"> • reviewing and assessing the effectiveness of the Group's risk management framework and internal control systems; and • monitoring the effectiveness of the risk management framework to identify and deal with risks faced by the Company including operational, regulatory and financial risks etc. 	
Major work performed during the year 2019	<ul style="list-style-type: none"> • reviewing and assessing the effectiveness of the Group's risk management system; • reviewing and evaluating the major investment projects; and • ensuring the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting functions. 	

ADMINISTRATION COMMITTEE

Members	Two executive Directors, namely Mr. Dong Choi Chi, Alex (committee Chairman) and Mr. Chong Cho Lam	
Major responsibilities	<ul style="list-style-type: none"> • administering the share award scheme adopted by the Company on 6 December 2019 in accordance with the rules of the share award scheme (as may be amended from time to time); and • addressing and dealing with such other matters as may be delegated by the Board to the Administration Committee. 	
Major work performed during year 2019	<ul style="list-style-type: none"> • monitoring the operation of the share award scheme; and • ensuring the procedures for the grant of awarded shares are in accordance with the rules of the share award scheme 	

BOARD MEETING

The Board regularly meets in person to discuss and formulate overall strategic direction and objectives and also approve annual, interim and quarterly results as well as other significant matters of the Company. Execution of daily operational matters is delegated to management.

The Company Secretary assists the Board in preparing notice and agenda for the meetings, and ensures that the Company complied with the corporate governance practices and other compliance matters. Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. At least 14 days notice of all regular board meetings were given to all Directors, who were all given an opportunity to include matters in the agenda for regular discussion. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each regular board meeting or committee meeting (or such other period as agreed) to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

Corporate Governance Report

All Directors have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures and all applicable rules and regulations are followed.

Minutes of the Board committee meetings are recorded in significant detail for any decision and recommendation made during the meetings. Draft and final versions of minutes are circulated to Directors or committee members within a reasonable time after the meetings are held and taken as the true records of the proceedings of such meetings. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

All Directors are entitled to have access to board papers and related materials unless there are legal or regulatory restrictions on disclosure due to regulatory requirements.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by way of a Board/committee meeting and the interested shareholder or Director shall not vote nor shall he/she be counted in the quorum present at the relevant meeting. Independent non-executive Director who, and whose associates, have no material interest in the transaction, should be present at such a board meeting.

ATTENDANCE OF INDIVIDUAL DIRECTORS AND SENIOR MANAGEMENT

Details of Directors' and senior managements' attendance at the Board meetings, meetings of Board committees and general meetings held in 2019 are set out in the following table:

Name of Directors/Senior management	Attendance/Number of meetings						
	Board Meeting (Note 1)	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting	Risk Management Committee Meeting	Annual General Meeting	Special General Meeting
Executive Directors							
Mr. Chong Cho Lam	10/10	N/A	N/A	N/A	1/1	1/1	1/1
Mr. Dong Choi Chi, Alex	11/11	N/A	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors							
Mr. Chan Wai Man	13/13	1/1	1/1	5/5	N/A	1/1	1/1
Mr. Siu Hi Lam, Alick	13/13	1/1	1/1	5/5	N/A	1/1	1/1
Mr. Ting Kit Lun	13/13	1/1	1/1	5/5	1/1	1/1	1/1
Chief financial officer							
Mr. Jip Ki Chi	N/A	N/A	N/A	N/A	1/1	N/A	N/A

Note 1: Under CG Code provision A.2.7, the Chairman should at least annually hold meetings with the non-executive directors, including independent non-executive directors, without the presence of other directors. During the year ended 31 December 2019, the Chairman did not hold meetings with the independent non-executive Directors without the executive Directors' present, which deviates from CG Code provision A.2.7. However, in each Board meeting, the chairman of the meetings would ensure that all Directors were able to make a full and active contribution to the Board's affairs and encourage all Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that the Board decisions fairly reflect Board consensus. The Company will continue to review such deviation to enhance the best interest of the Group as a whole.

Note 2: As a quorum cannot be reached in the Administration Committee meeting for the grant a total of 3,000,000 awarded shares to Mr. Chong Cho Lam, an executive Director, under the share award scheme as Mr. Chong Cho Lam had to refrain from voting in view of his interest in the matter, a Board meeting (including all independent non-executive Directors, but except Mr. Chong Cho Lam who had excused himself from the meeting) was held instead on 13 December 2019 for the passing of the resolutions concerned.

AUDITOR'S REMUNERATION

During the year ended 31 December 2019, remuneration in respect of audit and non-audit services provided by the existing auditor of the Company to the Group are approximately HK\$2,499,000 (2018: HK\$2,380,000) and HK\$20,000 (2018: HK\$20,000) respectively.

Corporate Governance Report

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the member of the senior management by band for the year ended 31 December 2019 is set out below:

	Number of member of senior management
HK\$1,000,000 or above	1
HK\$500,000 – HK\$999,999	–
	1

Further particulars regarding the five highest paid employees and Directors' remuneration are set out in notes 9 and 8 to the consolidated financial statements, respectively.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Chairman of the Board is responsible for identifying appropriate candidate and proposing qualified candidate to the Board for consideration. The Board will review profiles of the candidates recommended by the Chairman and make recommendations on the appointment, re-election and retirement of Directors.

Candidates are appointed to the Board on the basis of their skill, competence and experience that they can contribute to the Company. The Company believes that members of the Board, individually and collectively, have satisfactorily discharged their duties.

Newly appointed Director will be briefed and updated to ensure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities under the GEM Listing Rules, Companies Ordinance, Securities and Futures Ordinance, and other regulatory requirements.

The independent non-executive Directors are appointed for an initial term of one year from the date of appointment and is renewable each year. They are subject to retirement by rotation and re-election by shareholders at the Annual General Meeting ("AGM") after their appointment and thereafter at least once every three years in accordance with the Bye-laws of the Company.

In accordance with the Bye-laws of the Company, one-third of the Directors who have been longest in office since their last election or re-election are also subject to retirement by rotation at the AGM. All retiring Directors are eligible for re-election.

All Board committees are established with defined written terms of reference which are available to shareholders on website of the GEM of the Exchange and the Company.

Corporate Governance Report

BOARD DIVERSITY

The Company has formulated the board diversity policy aiming at setting out the approach on diversity of the Board of the Company. The Company believes that a diversity of perspectives can be achieved through consideration of a number of aspects, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. Board appointments will be made on merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. There is no financial, business, family or other material/relevant relationships between Board members.

The Nomination Committee is responsible for monitoring and reviewing the implementation of the Board Diversity Policy to ensure its effectiveness and recommending any revisions of the policy to the Board for consideration and approval.

NOMINATION POLICY

The Board has adopted the Nomination Policy aims to set out the nomination procedures and processes and criteria in evaluating and selecting candidates for Board Directorship:

CRITERIA

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- Reputation of integrity;
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategies;
- Commitment in respect of available time and relevant interest; and
- Requirement for the Board to have independent directors in accordance with GEM Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules.

NOMINATION PROCESS

(a) Appointment of New Director

- (i) The Nomination Committee should, upon receipt of the proposal on appointment of a new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether the proposed candidate is qualified for directorship.

- (ii) If the process yields one or more desirable candidates, the Nomination Committee should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

- (iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship.

- (iv) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

- v) Where appropriate, the Nomination Committee should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

(b) Re-election of Director at General Meeting

- (i) The Nomination Committee should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

- (ii) The Nomination Committee should also review and determine whether the retiring director continues to meet the criteria as set out above.

- (iii) The Nomination Committee and/or the Board should then make recommendations to the shareholders in respect of the proposed re-election of director at the general meeting.

- (iv) Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the GEM Listing Rules and/or applicable laws and regulations.

REGULAR REVIEW

The Nomination Committee will conduct regular review on this Policy, the structure, size, expertise and diversity of the Board. When it is appropriate, the Nomination Committee will make recommendations on changes to the Board to complement the Company's corporate strategies and business needs.

Corporate Governance Report

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING AND DISCLOSURES

The Directors acknowledge their responsibility for preparing the financial statements of the Company and of the Group.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other statutory and regulatory requirements. The Directors are responsible for the preparation of the consolidated financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the annual, interim and quarterly results of the Company for the year ended 31 December 2019 the Directors have adopted suitable accounting policies and applied them consistently.

The responsibility of the auditor with respect to the consolidated financial statements is set out in the Independent Auditor's Report on pages 50 to 55 of this annual report.

The Company is committed to ensuring compliance with regulatory requirements under the GEM Listing Rules, applicable laws and regulations in handling connected transactions. Accordingly, the Company implemented various internal control mechanisms to capture and monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the independent shareholders in accordance with the GEM Listing Rules. The connected persons will be required to abstain from voting in the general meetings. Details of the connected transactions of the Company during the year are set out in the "Directors' Report" of this annual report.

COMPANY SECRETARY

The Company Secretary supports the Chairman, the Board and the Board Committees by ensuring good information flow and that policy and procedures are followed. He advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and is appointed by the Board. Although the Company Secretary reports to the Chairman, all Directors may call upon for advice and assistance at any time in respect to their duties and the effective operation of the Board and the Board Committees. The Company Secretary also plays an essential role in the relationship of the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the GEM Listing Rules.

The Company does not engage an external service provider as its Company Secretary. Mr. Jip Ki Chi, being the secretary of the Company, has taken not less than 15 hours of relevant professional training during the year ended 31 December 2019.

DIRECTORS' TRAINING

Upon appointment to the Board, the Directors receive a package of orientation materials about the Group and are provided with a comprehensive induction to the Group's businesses by senior executives. Regular trainings and business and market updates are provided to the Directors to help ensure that the Directors are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses.

The Directors confirmed that they have complied with the Code Provision A.6.5 of the CG Code on Directors' training. During the year, each Director had participated in continuous professional development by attending seminars/workshop or by reading materials on the followings topics to update and develop their knowledge and skills and provided a record of training to the Company:

Name of Directors	Topics on training covered (Notes)
Mr. Chan Wai Man	CG, R, I, F
Mr. Chong Cho Lam	CG, R, I, F
Mr. Dong Choi Chi, Alex	CG, R, I, F
Mr. Siu Hi Lam, Alick	CG, R, I, F
Mr. Ting Kit Lun	CG, R, I, F
Notes:	
CG:	Corporate Governance
F:	Finance
I:	Industry-specific
R:	Regulatory

RISK MANAGEMENT AND INTERNAL CONTROL

Responsibility

The Group believes that risk management is not a sole responsibility of the Board, but everyone within the Group. It aims to develop risk awareness and control responsibility as our culture and the foundation of our internal controls system. The internal controls system applies to the Group's critical business processes including investment decisions and day-to-day operations.

At the same time, the Board had overall responsibility for the Group's risk management and internal control systems, which includes the establishment of a defined management structure with specified limits of authority. The system is designed to help the achievement of business objectives of the Group, effectiveness and efficiency of the operation; reliability of financial reporting; and compliance with applicable laws and regulations. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

Framework and Approach

The Board, through audit committee and risk management committee had conducted a review of the effectiveness of the Group's risk management and internal control systems. The Group had set up three lines of defence in risk management and internal control. At the first line of defence, business units are responsible for identifying, assessing and monitoring risk associated with each business or transaction. The management, as the second line of defence, defines rule sets and models, provide technical support and oversees portfolio management. As the final line of defence, the Group internal audit assists the Audit Committee and Risk Management Committee to review the first and second lines of defence.

Risk Management Process

The Group seeks to have risk management features embedded in the day-to-day operations. Through an integrated top-down and bottom-up risk review process, the key risks faced by the Group have been identified and prioritised. For the identified risks, the Group determines the action plans and management targets. The management of each business unit of the Group is responsible for managing their respective day-to-day operational risks, and implementing measures to mitigate such risks.

Group internal audit monitors the implementation of risk management, and continuously reviews and assesses the efficiency and adequacy of action plans in regular basis. Such assessment results will be regularly communicated and reported to Audit Committee, Risk Management Committee and the Board.

Major risk factors and measures

(I) Media and entertainment business

Industry risk

Media and entertainment industry are fragmented and highly competitive. The Group's film, concert and other project investment involves many uncertainties which include projects selection, schedule of release, rates of return etc. Today, audience are rising on demand for the high-quality and innovative content of film and other forms of entertainment as ever. Hence, there is no assurance that the Group can sustain its competitiveness successfully in the business.

Risk responses

- Keeping an open mind to look for any other potential investment activities which can bring the Group a new income stream;
- Reviewing and updating the business strategies plan regularly to cope with the competition in the industry.

Strategic risk

The return on the Group's film, concert and exhibition investment, production and promotion cannot be predicted with certainty. It depends primarily on the audience acceptance and popularity of the films, artiste and theme of the exhibitions. There is no assurance of the economic success on those investments. If the Group does not accurately judge audience acceptance of a film or concert or exhibitions in selecting the project it invests in, the Group may not recoup its costs or realise its anticipated profits.

Risk responses

- Diversifying risk through co-produce, co-invest or co-partner with its business associates; and
- Keeping eyes out for the changes in market trend, mainstream social values, need and preference of the audience.

Regulatory risk

Today, a number of strict rules and regulations apply to film and other media industries. If the planned film or concert fails to obtain certain licenses, the Group will be susceptible to the loss of investment; and if the Group fails to comply with the relevant rules and regulations, the Group will be confronted with the risk of penalties, suspension of business activity, which would have adverse effect on the Group's financial, operations and reputation. Therefore, regulatory risk management is also key attention area of the Group.

Corporate Governance Report

Risk responses

- Conducting internal assessment by management for regulatory matters involved which the Group ensures compliance with regulatory requirement in business matters;
- Keeping eyes out for the up-to-date on applicable rules, regulations and regulatory requirements issued by the government and regulator, notices from the authorities; and
- Considering the familiarity of the applicable rules and regulation of the country in which the project will be selected. Ensuring the selected project comply with its local regulatory requirement and satisfy with its mainstream social values.

(II) *Cremation and funeral services business*

Compliance risk

Today, the Group's cremation services operate in PRC face with more air quality regulations than ever before, and the number of regulations that are passed increase with complexity each year. Regulatory compliance risk management and control are critical and is therefore a key attention area of the Group.

Risk responses

- training staff on the basics of environmental regulations and keeping eyes out for new regulations or changes to existing ones;
- monitoring equipment to be used shall meet the specifications specified by the Authority. It shall be maintained and calibrated according to the manufacturer's recommendations;
- operating staff shall be properly trained in their duties relating to control of the process and emissions to air. Particular emphasis on training for start-up, shut down and abnormal conditions;
- assuming of malfunctioning and breakdown of the process or air pollution control equipment which would cause exceed of the emission limits or breaches of other air pollution control requirements, the incident shall be reported to the Authority immediately without delay;
- carrying out hazard and safety inspections on each operating unit regularly and gathering records in preparation for environmental compliance reports.

Internal control effectiveness

Internal Auditing

Group Internal Audit reports to the Audit Committee at least four times a year, on the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material weaknesses in those controls. Group Internal Audit adopts a risk-and-control-based audit approach. During the year, Group Internal Audit had performed reviews on major aspects of the Company's operations in PRC and Hong Kong. This review covered all material controls, including financial, operational, compliance controls and risk management functions, and also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions, and their programs. The results of these audit activities are communicated to the Audit Committee. Audit issues are tracked, followed up for proper implementation, and their progress are reported to the Audit Committee periodically.

In addition to the review of risk management and internal controls undertaken by Group's Audit Committee, Risk Management Committee and Group's Internal Audit, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

The Audit Committee was satisfied with the results of the self-evaluation of the Group and considered that the risk management and internal control systems of the Group were effective and adequate and its opinion was endorsed by the Board. During the year, no significant areas of concern which might affect the Shareholders were identified.

INSIDE INFORMATION

The Company recognises that the release of inside information to place anyone in a privileged dealing position is strictly prohibited and has adopted an Inside Information Policy to ensure compliance of the GEM Listing Rules. Prior to the announcement of any inside information, all Directors and senior management are requested to take all reasonable steps to maintain strict confidentiality and where it is reasonably likely that confidentiality may have been lost in respect of the inside information, the Company shall as soon as reasonably practicable, apply to the Exchange for a trading suspension of its shares.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in a manner of (i) delivery of the quarterly, interim and annual reports to all shareholders; (ii) publication of announcement on the quarterly, interim and annual results on the website of the GEM of Stock Exchange and the Company, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the GEM Listing Rules; and (iii) the general meeting of the Company is also an effective communication channel between the Board and the shareholders.

CONSTITUTIONAL DOCUMENTS

During the year under review, there is no change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given a high priority. The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual, interim and quarterly reports, press announcements and circulars made through the website of the GEM of the Exchange and the Company.

The Board also maintains an on-going dialogue with shareholders and use general meeting to communicate with shareholders. The Company encourages all shareholders to attend general meeting which provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board and members of relevant committees and senior management of the Company are also available to answer the shareholders' questions. The notice of AGM was sent to shareholders at least 20 clear business days before the AGM. For general meeting other than AGM, notice was sent to shareholders at least 10 clear business days before the general meeting.

DIVIDEND POLICY

The declaration of any dividend is subject to the discretion of the Board, and if necessary, the approval of our shareholders, subject to the applicable of Bye-Laws of the Company. A decision to pay any dividend, and the amount of such dividend, depends on a number of factors, including but not limited to the results of operations, revenue, financial position of the company, company liquidity and investment opportunities, and other economic factors that may affect the company.

There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid in the future. The Board will review the dividend policy from time to time, and may update the policy as they see fit.

SHAREHOLDERS' RIGHTS

How shareholders can convene an extraordinary general meeting and putting forward proposals at shareholders' meetings

Pursuant to the Bye-Laws of the Company, any one or more shareholder holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company by mail at 10th Floor, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitions(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitions(s) as a result of the failure of the Board shall be reimbursed to the requisitions(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at 10th Floor, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong or by email at enquiry@8082.com.hk. The Company Secretary forwards communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

Environmental, Social and Governance Report

I. REPORT OVERVIEW

Year 2019 is a key milestone for the Group which we have changed our name of the Company as “Sun Entertainment Group Limited” and also set a new mission “Explore the Infinite with Sun Entertainment”. We affirmed business sustainability is essential to the long-term prosperity of the Group.

With a strong ambition and commitment to forge resilient and reliable enterprise that pioneers in sustainable development compared to its peers in the industry, the Group never stops its footstep in exploring new ways to change its business model and operating practice in order to generate attractive operating cash flow and growth creation of shareholders’ value.

The Group is rooted in Hong Kong and Macau. Long before the Macau concert market grown into a promising market, we have already entered the local area and gradually established a regional advantage and a vast network of partners. With the demand for concert increasing locally, we successfully seized the opportunities and laid a solid foundation for the Group. We have also been seeking for new opportunities in different markets to achieve diversified development and enhance competitiveness. We engage in different entertainment investment and production, including film, internet film, concert, exhibition and other show performances as well as providing funeral services. We committed to maintain a high standard of sustainability within the companies while also building a trustful and supporting relationship with our stakeholders.

In strict compliance with the requirement under Appendix 20 of the GEM Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), the Group is pleased to present its fourth Environmental, Social and Governance (“ESG”) Report for the year ended 31 December 2019 (“FY2019”), which demonstrates the Group’s approach and performance in terms of ESG management and corporate sustainable development for FY2019.

The information in this ESG Report was gathered through numerous channels, including internal policies of different subsidiaries of the Group, the factual evidence of the implementation of ESG practices in the Group, the feedback from staff via online surveys in the format of quantitative and qualitative questions based on the reporting framework, and the verified statistics of the Group’s annual performance in business operations and sustainable development.

Key sustainability recognition

-  **2019 Listed Company Awards of Excellence – Hong Kong Economic Journal**
-  **Caring Company – The Hong Kong Council of Social Service**
-  **Happy Company – Promoting Happiness Index Foundation**
-  **Charitable Corporate – “Guangdong Poverty Relief Day” in Zhaoqing**
-  **Certificate of Appreciation for HK Love Run – Power of love**
-  **Certificate of Appreciation for Child-caring Charity Carnival (童心慈善嘉年華) – Synergy Association International**
-  **Donor Recognition & Appreciation for Summer Course Program 2019 – K for Kids Foundation Limited**



-  **E Certificate of Conservation Hero – Ocean Park Conservation Foundation Hong Kong**

-  **Certificate of Appreciation for support in promoting Breastfeeding Friendly Workplace – UNICEF**

Environmental, Social and Governance Report

Boundary Setting

Setting a clear reporting boundary from the outset of the entire reporting process can help report preparers and users of information to define and limit the scope and extent of disclosure by giving readers a clear picture of the effectiveness of the implementation of relevant ESG policies, while allowing the Group to lower the risks of inadvertently neglecting the material activities or business operations in which the Group was engaged during the year under review. Given the business nature and development plans of the Group, this ESG report covers the performance and management policies of all operations of the Group under the operational control approach.

Reporting Principles

Materiality:

Materiality is the threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported. As a common strategic business tool for screening the insignificant issues and highlighting the environmental and social impacts, the Group has implemented materiality assessment by gathering the feedback of various stakeholder groups about their concerns and expectations in terms of company's sustainable development. With the outcome from such an evidence-based assessment of the potential impacts of different ESG topics on the Group's overall strategies, the Board of Directors of the Group (the "Board") are presented with a picture reflecting the material ESG issues which may impact the Group's ability to develop in a sustainable way, and can, therefore, access sufficient information to make strategic decisions on allocating more resources and putting more focus on the efficient daily management of operations under certain topics.

Quantitative:

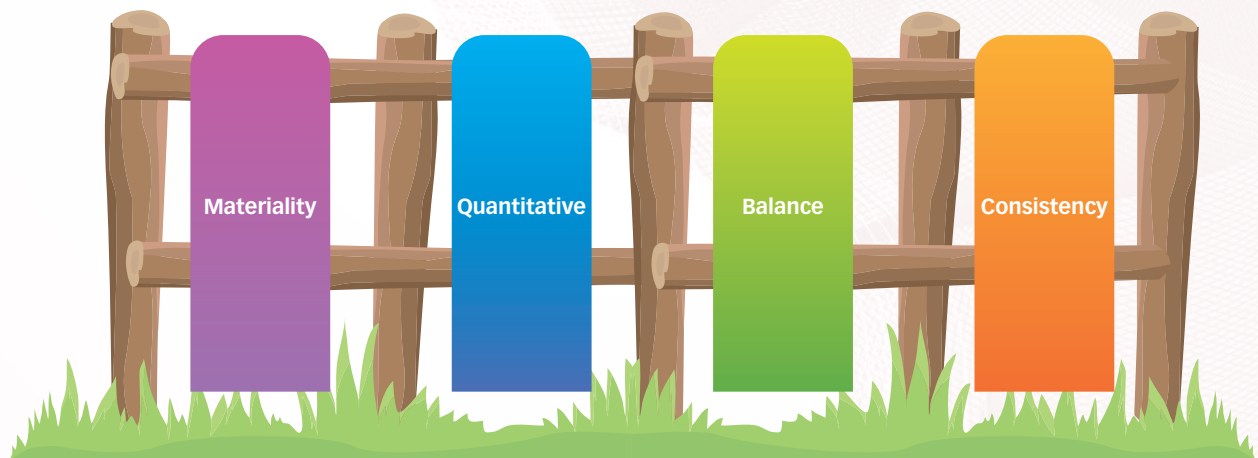
To implement the reporting principle of Quantitative, measurable KPIs are listed under the section of Emissions, Use of Resources and Employment in this ESG report. Targets of the Group are relatively simple due to the operation nature of the Group. To ensure that reader can have a deep understanding of the Group's ESG performance under environmental and social subjects, a summary of the Group's performance in greenhouse gas emissions, consumption of various energy resources and statistics of employees was shown in the measurable format.

Balance:

An unbiased picture of the Group's ESG performance is essential to ensure the accuracy and objective evaluation of information delivered to the audiences. The selective disclosure in the report was utterly based on the reporting principle of Materiality, in which both the excellent performance and rooms for improvement were involved.

Consistency:

Readers normally reply on a transparent disclosure of information against different indicators based on a consistent reporting technique and methodology for calculations. As such, the Group based the presentation of its ESG management, especially the calculation of greenhouse gas emissions on standard calculation methods and provided adequate descriptive explanations about significant changes to the reporting techniques. Meanwhile, to ensure that the vast array of information under a variety of topics can be presented to its stakeholders clearly, the Group adopted a reporting process what is consistent with the order for disclosure in the ESG Guide, which it believes is conducive to adding more coherence to the entire reporting process and building a roadmap visualising its growth in sustainability to all.



Environmental, Social and Governance Report

II. BOARD INCLUSIVENESS

The Group strives to provide sustainable value for stakeholders and is under consideration of which sustainable goals should the Group devote in. During the year under review, the Board of the Group has actively participated in sustainability related training to cultivate a sense of sustainable development for the Group. In order to carry out the Group's sustainability strategy from top to bottom, the Board of the Group has ultimate responsibilities for ensuring the effectiveness of the Group's ESG policies.

To establish a sustainable development plan, the Board has referenced the sustainable development goals set by the United Nations and address climate change related concerns in the operation and build corresponding policies to manage such risks. Stakeholders' opinions are also taken into consideration in establishing sustainability strategy for the Group.

The Board emphasis on the education on the importance of sustainably development and social responsibility of the Group. During March and April in FY2019, the Board has taken sustainable development training organized by the Hong Kong Institution of Directors to enhance their awareness of the importance of sustainable development to the Group. Two executive directors completed Prince of Wales's Business of Sustainability Programme organized by University of Cambridge Institute for Sustainability Leadership ("CISL") during the year under review. Meanwhile, the Group provides the opportunity to Chief Financial Officer (i.e. senior management) to have the opportunity study the programme in 2020. Through the courses and communications with global directors, the Board is aware of the challenges of company growth under the context of finite resources and decided to the fourth industrial revolution. To explore the business range, the Group started to undertake exhibitions during the year under review to reduce the reliance on concerts.



With the forward-looking guidance and well-designed plans of action to address underlying ESG matters, the management keep reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders on a regular basis. For instance, through the assignment of the responsibility of progress tracking to different management-level positions, the Group is committed to achieving an excellent performance in ESG management while also remaining competitive compared with its peers. Details of the Group's management approaches in both the environmental and social aspects are elaborated in different sections of this ESG report.

III. REPORTING PERIOD AND SCOPE OF THE REPORT

This ESG report covers the operational boundaries of the Group's offices in Hong Kong and Beijing and the funeral service business in Guangdong Province. For corporate governance section, please refer to the Group's 2019 Annual Report on pages 6 to 17 therein. The reporting period of this ESG report is for the financial year 2019 ("FY2019"), from 1 January 2019 to 31 December 2019. This report is prepared in both English and Chinese and has been uploaded to the Group's website at www.8082.com.hk. If there is any conflict or inconsistency, the English version shall prevail.

IV. STAKEHOLDER ENGAGEMENT

Fostering a sound relationship with all stakeholders has been seen as the prerequisite of effective communications and the realisation of the Group's vision of value creation for all. Therefore, the Group counts on its good corporate citizenship, reputational influence and great capability in coordination to build a collaborative relationship with its stakeholders including policymakers, regulators, investors, customers and suppliers. Through a broad range of open communication channels, the Group is able to garner a deeper understanding of its stakeholders' genuine concerns and expectations, and that prompts the Group's business strategy to integrate material social and environmental topics and the corporate management of sustainability-related issues to be incorporated in a wider business process.



The Group highly values the feedback from its stakeholders and takes initiative to build a trustful and supporting relationship with them through their preferred communication channels, which are listed in the table below.

Environmental, Social and Governance Report

Table 1 Stakeholders Expectations and Communication Channels

Stakeholders	Expectations and concerns	Communication channels
Government and regulatory authorities	<ul style="list-style-type: none"> – Compliance with laws and regulations – Business sustainability – Proper tax payment 	<ul style="list-style-type: none"> – Supervision on complying with local laws and regulations – Routine reports and tax paid
Shareholders	<ul style="list-style-type: none"> – Return on investments – Corporate governance – Business compliance 	<ul style="list-style-type: none"> – Regular reports and announcements – Regular general meetings – Official company website
Employees	<ul style="list-style-type: none"> – Employees' compensation and benefits – Career development – Healthy and safe working environment 	<ul style="list-style-type: none"> – Performance reviews – Regular meetings and training – Emails, notice boards, hotline, caring activities with management
Customers	<ul style="list-style-type: none"> – High quality products and services – Protect customers' rights 	<ul style="list-style-type: none"> – Face-to-face meetings and on-site visits – Customer service hotline and email
Suppliers	<ul style="list-style-type: none"> – Fair and open procurement – Win-win cooperation 	<ul style="list-style-type: none"> – Suppliers' satisfactory assessment – Face-to-face meetings and on-site visits
General public	<ul style="list-style-type: none"> – Involvement in communities – Business compliance – Environmental protection awareness 	<ul style="list-style-type: none"> – Media conferences and responses to enquiries – Public welfare activities – Regular reports and announcements – Face-to-face interview

Environmental, Social and Governance Report**Materiality Assessment**

Since ESG risks and opportunities for companies vary across industries and depend on specific business patterns of companies, the Group undertakes annual review in identifying and understanding its stakeholders' main concerns and material interests for the ESG report. In FY2019, the Group engaged its stakeholders to conduct a materiality assessment survey initiated by a third-party agency in order to guarantee the accuracy and objectivity of evaluation. Specifically, internal and external stakeholders including customers, suppliers, business partners, board members and employees from various business units of the Group were chosen and assessed based on their respective influence and dependence on the Group. Stakeholders were invited to express their concerns on a list of sustainability issues via an online survey to pinpoint the ESG issues that were identified as material to the Group's business development and strategies. Through a science-based materiality assessment to prioritise the topics from the entire inventory of ESG issuers, the Group eventually formulated a materiality assessment matrix below, which could genuinely reflect the real concern of its stakeholders on ESG matters and facilitate the Group to develop actions plans for effective ESG management.



Environmental, Social and Governance Report

		Materiality Matrix	
IMPORTANCE TO THE STAKEHOLDERS	Crucial	Areas identified as relevant for disclosure: <ul style="list-style-type: none"> Mitigation measures to protect natural resources Employee remuneration and benefits Employee development and training Marketing and promotion Protection of customer information and privacy Public welfare and charity 	Areas identified as critical for disclosure: <ul style="list-style-type: none"> Water use Occupational health and safety Health and safety relating to product/service Customer satisfaction Observing and protecting intellectual property rights Anti-corruption policies and whistle-blowing procedure Understanding local communities' need
	Not relevant	Areas identified as not relevant for disclosure: <ul style="list-style-type: none"> Composition of employees Suppliers by geographical region Social risks assessment of the suppliers Procurement practices Labelling relating to products/services 	Areas identified as relevant for disclosure: <ul style="list-style-type: none"> Air and greenhouse gas emissions Sewage treatment Land use, pollution and restoration Solid waste treatment Energy use Use of other raw/packaging materials Preventing child and forced labour Selection of suppliers and assessment of their product/services Environmental protection assessment of the suppliers Product quality assurance and recall percentage
		Not relevant	Crucial
IMPORTANCE TO THE GROUP			

According to the outcome of the materiality analysis matrix, the Group identified seven ESG issues that are of great significance to both the Group and its stakeholders. This review and assessment helped the Group to objectively prioritise its sustainability issues, precisely identify the material and relevant aspects, and make for the purposeful documentation and disclosure of its ESG performance so as to align them with stakeholders' expectations.

To further strengthen the internal corporate sustainability management and elevate the objectives set out by the Group to the level of global sustainable development, the Group has carried out an evaluation on its stakeholders' opinions on corporate sustainability stewardship, especially the ESG-related topics that are material to stakeholders and the United Nations Sustainable Development Goals ("SDGs") to which its stakeholders have paid particular attention. This analysis of linking the Group's sustainability targets to global sustainability trends allows the Group to



Understand the globally-agreed sustainable development goals that act as an articulation of the world's latest and most pressing environmental, social and economic issues of which the Group should be encouraged to take into account;



Identify and seek potential business opportunities by addressing sustainability-related risks and crisis through business innovation and optimisation of the work process; and



Solidifying a common-known language for reporting the Group's business impact on climate change and social welfare and involving the employees in creating the sustainability culture in the Group.

Environmental, Social and Governance Report

Besides these, the Group also engages stakeholders with the Sustainability Development Goals ("SDGs") to determine the future goals for Group ESG policy. The Group has identified "Target 3: Good Health and Well-Being for People", "Target 4: Quality Education", "Target 8: Decent Work and Economic Growth" and "Target 11: Sustainable Cities and Communities" as the most concerned goals for the sustainability development. This review and assessment helped the Group to objectively prioritise its sustainability issues, precisely identify the material and relevant aspects, and make for the purposeful documentation and disclosure of its ESG performance so as to align them with stakeholders' expectations.

United Nations Sustainable Development Goals (SDG)			
 <p>3 GOOD HEALTH AND WELL-BEING</p> <p>Ensure healthy lives and promote well-being for all at all ages</p>	 <p>4 QUALITY EDUCATION</p> <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	 <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>Promote sustained inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>Make cities and human settlements inclusive, safe, resilient and sustainable</p>
The Group's Sustainability Framework			
<p>Caring Our Employees</p> <p>We proactively promote good health and well-being including participating charity run and providing free fitness training to our employees</p>	<p>Nurturing Our Employees</p> <p>We believe employees are our best assets and we are committed to build a future ready workforce in an environment that allows them to grow and excel</p>	<p>Supporting Our Communities</p> <p>We practice good corporate citizenship and contribute to social well-being of the communities where we operate</p>	<p>Managing Environmental impact</p> <p>We commit to environmental sustainability, ensuring that our operation is carried out in a responsible manner</p>

Stakeholders Feedback

As the Group strives for excellence, we welcomes stakeholders' feedback, especially on topics listed as the highest importance in the materiality assessment and its ESG approach and performance. Readers are also welcome to share your views with us at ir@8082.com.hk.

Environmental, Social and Governance Report

V. ENVIRONMENTAL SUSTAINABILITY

We are committed to the long-term sustainability of the environment and community in which it operates, stringently controls its emissions and consumption of resources, and complies with all relevant environmental laws and regulations in Hong Kong and the People's Republic of China ("PRC") in the daily operation. As a deathcare service provider while engaged in the media entertainment industry, the Group's impacts on the environment mainly comes from the office and the crematory. The Group strives to minimise the potential environmental impact during its daily operations in various aspects.

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2019.

A.1. Emissions

As a funeral service provider, the main emission from the Group is the air emission from cremation, municipal wastewater and solid wastes. The Group complied with all relevant environmental laws in the operating regions, including but not limited to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), and found no disregard of any influential laws relevant to waste gas or greenhouse gas emissions, water or land discharging and hazardous or non-hazardous wastes.

Table 2 The Group's Total Emissions by Category in FY2019

Emissions types		Unit	Amount	Intensity* (Unit/ employee)
Air emissions	SO ₂	kg	90.6	1.4
	NO _x	kg	560.5	8.9
	PM	kg	112.6	1.8
GHG emissions	Scope 1 (Direct Emission)	tonnes CO ₂ e	343.0	5.4
	Scope 2 (Energy Indirect Emission)	tonnes CO ₂ e	112.8	1.8
	Scope 3 (Other Indirect Emission)	tonnes CO ₂ e	3.9	0.06
	Total (Scope 1, 2 & 3)	tonnes CO ₂ e	459.7	7.3
Non-hazardous waste	Solid Waste	kg	2,610.9	41.4
	Recycled waste	kg	759.4	12.1

* Intensity was calculated by dividing the amount of air, GHG and other emissions by an average workforce of the Group in FY2019, which was 63;

** Air emissions included the air pollutants in the exhaust gas from vehicles for transportation, operations during funeral services and GHG removals from newly planted trees;

*** The Group's Scope 1 (Direct Emissions) included only the consumption of fossil fuels and refrigerants;

**** The Group's Scope 2 (Energy Indirect Emissions) included only electricity consumption;

***** The Group's Scope 3 (Other Indirect Emissions) included only paper waste disposed of at landfills;

***** The weight of solid waste was measured discreetly and estimated reasonably by employees on a daily basis. Specifically, the Group measured the weight of solid waste from offices on different days in FY2019, on which the total amount of waste was calculated. As for the recycling of solid waste, the Group took into consideration all recyclable materials made by paper, plastic and aluminium. In FY2019, the Group also recorded the weight of paper waste generated from offices, which accounted to 250.6 kg in Hong Kong office;

***** The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the IPCC Emission Factor Database.

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Air and GHG Emissions

Air emissions are mainly generated by the incineration in the funeral operation site and the use of vehicles. The Group uses diesel as the fuel for incineration in the crematory. Therefore, the exhausted gases generated from the combustion process are mainly sulfur oxides ("SO_x"), nitrogen oxides ("NO_x") and particle material ("PM"). All air emissions from the cremator have complied with the emission standard (GB 13801-2015) and the Emission Standard of Air Pollutants for Crematory (《火葬場大氣污染物排放標準》).

The GHG emissions of the Group consist of direct emission (Scope 1) from incineration for the crematory, the use of vehicles, indirect emission (Scope 2) from the consumption of electricity, and other indirect emission (Scope 3) from the waste paper processing. The direct emission and indirect emission are the main sources of GHGs emissions while other indirect emission is relatively insignificant.

There is no denying that the accelerating emission of greenhouse gases is inherently linked with the climate-related catastrophic consequences that are happening across the world according to IPCC's latest report (Intergovernmental Panel on Climate Change).

In FY2019, the air & GHG emissions of the Group remained at the same level as FY2018. To further to mitigate the GHG emissions, the Group is aware of the role technological and economic potential plays in limiting the global temperature rise to 2°C above pre-industrial levels. Therefore, the Group has aligned its operating practice with internationally acceptable and recognised standards and recommendations in terms of GHGs reduction by the adoption of energy-efficient technologies, electricity-saving measures, and environmental buses. Besides, to enhance the air quality, the Group maintained the normal operation of two sets of exhaust gas treatment units to remove the NO_x, SO_x and other atmospheric pollutants generated from the cremator. Detailed measures taken by the Group to reduce its GHG emissions through reducing electricity consumption will be described further in A.2. Use of Resources of this report.

Wastewater and Solid Waste

During the year under review, the wastewater and solid waste generated by the Group were mainly municipal wastewater and municipal solid waste from daily operations. In the management of commercial waste, especially plastic and paper waste, the Group has implemented a classification method for the collection, such as wasted paper, wasted packages, disposed files and dietary wastes. The non-recyclable solid wastes that have been classified will then be transported to a local recycling centre or waste disposal plant for further treatment by a sanitary service company. The dietary wastes will be used as fertilizer in the cemetery. In FY2019, the Group recycled a total of 759.4 kg solid wastes, which reflected the determination of the Group in the advocacy of the principle of 3R – Reduce, Reuse and Recycle in its waste management. The Group aims to put more focus on lowering its wastes in the future and encourage more employees to measure the amount of their own waste every day, uniting all staff in the move towards zero discharge.

Municipal wastewater generated from the offices is handled by the property management and directly discharges into the municipal sewer line, while those generated in the funeral services are treated as irrigation water to water the plants in the cemetery. Since the amount of wastewater generated highly depends on the amount of freshwater used, the Group has adopted specific measures to control and reduce water consumption in offices and the funeral parlour and strictly controlled the consumption of office supplies, which are further described in A.2. Use of Resources of this report.

A.2. Use of Resources

The use of natural resources has always been the key issue for the Group's environmental concern. To effectively manage its resources consumption, the Group keeps improving its tracking of ESG related KPIs (Key Performance Indicators) and launches an internal monitoring programme on the procurement and use of resources. In FY2019, the major resources consumed by the Group were electricity, water, paper, and diesel.

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Table 3 The Group's Total Use of Resources by Category in FY2019

Use of Resources		Unit	Amount	Intensity* (Unit/ employee)
Electricity		kWh	197,052	3,127.8
Diesel		L	79,062	1,255.0
Gasoline		L	43,284	687.0
Water		M ³	–	–
Packaging materials	By plastic	kg	300	4.7
	By paper	kg	1,200	19.0
Paper		kg	811	12.8

* Intensity was calculated by dividing the amount by average workforce of the Group in FY2019, which was 63; and

** When compared with other resources, water was either not as significant as energy resources to the Group's business operations or the measurement of water consumption was handled by the management of the property buildings where the Group's offices were located. While the estimation of the water consumption in offices of the Group was available, the Group believed that a more accurate measurement with convincing techniques would be conducive to the usefulness of the data. The Group will keep exploring new approaches in its measurement of water consumption in the future.

Electricity

The Group's use of electricity comes from the daily operation. In FY2019, the total electricity consumption of the Group was 197,052.0 kWh (with an intensity of 3,127.8 kWh/employee). To reduce the electricity consumption, the Group established the electricity-saving principle and encourages the innovation and adoption of more environmentally friendly technologies in its business.

Other energy resources

The Group's consumption of other energy resources mainly came from the burning of fossil fuels for transportation and operations in its funeral services. In FY2019, the Group consumed a total of approximately 79,062 litres of diesel, which had a marked fall as compared to the figure in FY2018. Insisting on the exploration of innovative solutions and the transition towards more eco-friendly energy resources, the Group has brought in many effective measures in the stricter internal regulation of the use of vehicles for business affairs.

Water

Water consumption by the Group is for domestic use by its staff during the working hours. Given the business nature, the total water consumption of the Group was – m³ in FY2019, which was minimal and need-based. In FY2019, the Group did not face any problems in sourcing water. To improve the utilisation efficiency of water resources, the Group and all its employees have laid emphasis on water conservation and are dedicated to saving every drop of precious water resource by various efficacious ways. Specifically, to improve the utilisation efficiency of water resources, the Group requires employees to adhere to the water saving principles and posts banners in operating regions.

Packaging Materials

Due to the nature of the Group's business segment, the packaging materials used are mainly coffin and body bags. Since the coffin and body bag are on a made-to-order basis, there is no specific measurement to reduce their consumption. Other packaging materials, such as paper and plastic, consumed by the Group in FY2019 amounted to 1.5 tonnes. Given the enormous efforts of the Group in controlling the waste of packaging materials, the total amount of packaging materials consumed by the Group dropped by around 17% in FY2019.

Environmental, Social and Governance Report

A.3. The Environment and Natural Resources

The Group is committed to developing its business according to the “Going Green and Low Carbon” concept and gearing up to incorporate the idea into operations. As the one of the main natural resource consumed by the Group, the paper has always been the cornerstone of the fulfilment of the Group’s environmental responsibilities. In order to reduce the negative impacts that the life cycle of paper exerts on the environment, the Group realises that a highly efficient use of paper such as double-sided printing and checking files before printing.

Sustainable Development Goals (SDGs) of United Nations defined the vision and priorities of global sustainability in 2030 and call on all enterprises to maximise their innovation capabilities for addressing the challenges of sustainability and to some degrees accomplishing the 17 sustainability goals together.

As a company with a long-term vision to forge a sustainable and eco-friendly business model in both (i) funeral and (ii) media and entertainment industries, the Group is currently working on the establishment of sustainable development framework by environmental awareness building and SDGs evaluation under the context of industrial trend and business nature. Hence, the Group initially selected “Target 3: Good Health and Well-Being for People”, “Target 4: Quality Education”, “Target 8: Decent Work and Economic Growth” and “Target 11: Sustainable Cities and Communities”, as its prioritised targets in the value chain management and proactively took corresponding measures to contribute to global sustainability. The Group hopes that through its unwavering efforts to insist on the concept of safety, harmony and green development, and increasing investment in innovative ways for its business, a more effectively resource-saving and environmentally-friendly corporation that pioneers in Hong Kong will be ultimately created.

VI. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

The Group recognises employees are the driving force of the sustainable development of the Group. Upholding the concept of “paying respect to the dedicated, utilising the competent, fostering the aspiring and incentivising the innovative”, the Group strives to provide a safe and sound working environment for employees and cultivating talents experienced in technology and management.

Table 4 Total workforce of the Group by Gender and Age in FY2019

By gender	By age				Total
	Below 30	Between 31 and 40	Between 41 and 50	Above 51	
Male	1	10	16	17	44
Female	3	10	6	0	19
Total	4	20	22	17	63

Environmental, Social and Governance Report

Law compliance

The Group's human resources policies fully align with the applicable employment laws and regulations in Hong Kong and the PRC, such as the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Labour Law of the PRC (《中華人民共和國勞動法》), and Labour Contract Law of the PRC (《中華人民共和國勞動合同法》). To make sure that the relevant internal policies are fully in line with the latest laws and regulations, it is the Group's human resources department that reviews and updates corporate documents in talent management on a regular basis.

Recruitment and promotion

Talent acquisition is vital to the sustainable development of the Group's business. To attract high-calibre candidates, the Group offers fair, competitive remuneration and benefits based on individuals' performance, personal attributes, job experiences and career aspiration. In addition, the Group has proposed a variety of initiatives to facilitate the recruitment of staffs, such as job advertisements on internet websites and hiring headhunting companies. The Group believes that its continuous efforts will tremendously help attract the most suitable and outstanding personnel to join the Group.

Compensation and dismissal

The compensation package of the Group is decided according to employee's capability past performance & benchmark. Any termination of the employment contract would be strictly based on reasonable and lawful grounds. The Group prohibits any kinds of unlawful or unreasonable dismissals.

Working hours and rest period

The Group arranges reasonable working hours and rest periods for its employees. In addition to basic paid annual leave and statutory holidays stipulated by the local governments, employees are entitled to additional leave benefits such as marriage leave, paternity leave and compassionate leave.

Equal-opportunity and anti-discrimination

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are determined irrespective of employees' gender, race, age, disability, family status, marital status, sexual orientation, religious beliefs, nationality or any other non-job-related factors in all business units. The Group's equal opportunities policy enforces zero tolerance to any workplace discrimination, harassment or victimization in accordance with the relevant government legislation, ordinances and regulations, such as the Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong) and the Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong). Disciplinary actions would be taken against the relevant employee if there is any non-compliance or breach of legislation related to the equal opportunities policies.

Environmental, Social and Governance Report

Other benefits and welfare

The Group treasures its employees and provides various employee welfare to retain talents and construct a harmonious working environment.



We focus on employees and every month, we'd hold parties to celebrate employees' birthday. Apart from these, festival meal (such as Chinese New Year, Mid-Autumn Festival and Christmas) are held to enjoy the festivals all together. These events really deepen the relationships between employees.



The Group values employees' health and safety, to encourage employees to have more exercise and have a life-work balanced lifestyle, we offers employees with free fitness training in every Thursday evening.



As an entertainment company, we offers our employees with free pass tickets for concerts, movies and exhibitions to cultivate a sense of belonging and their aesthetics.

The Group considers these events as an essential part of its enterprise management, which could to large extent help employees to relieve stress, and reflect the Group's corporate culture through reinforcing the spirit of solidarity and cohesion among employees.

During FY2019, the Group has arranged numerous activities for its employees, including monthly birthday parties, festival meals and concert/film tickets, such as the 恭頌良 'Right Here Right Now Live 2019' and Boyzone "Thank you & Goodnight" Farewell Tour 2019 in Hong Kong. In addition, the Group cares about the health of its employees, providing its employees with free fitness training opportunities instructed by external professionals. In FY2019, the Group was in full compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

Environmental, Social and Governance Report

B.2. Health and Safety

To provide and maintain a good working condition and a safe and healthy working environment, the Group's safety and health policies are in line with the workplace health and safety laws and regulations in Hong Kong and the PRC, namely the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), Law of the PRC on the Protection of Production Safety (《中華人民共和國安全生產法》) and Regulation on Work-Related Injury Insurance (《工傷保險條例》). The Group has established a comprehensive mechanism and stringent safety and labour practice standards to ensure that the risk of accidents in the workplace is minimised and the employees' health and safety awareness can be enhanced.

The Group focus employees' health and safety and has organised various safety production training, including emergency drills, disinfection protection training, operation training and policy explanation every month, and fire drill on 14 May and 11 October in 2019. Apart from these, the Group also invited external professions to give employees safety training, including emergency response in public places, escape knowledge for natural disasters, and public health safety and occupational health of employees. These training enhanced the safety awareness of employees and improved employees' ability to deal with emergency situations.

Besides, The Group also strived to provide employees with a safe working environment. In the funeral parlour, the Group has established safety and health announcements to launch safety operation targets and held safety meetings to ensure the safeness of working areas. Safety checks were held regularly to ensure all the safety protection equipment is well-equipped.

In working places, safety warrant and slogans are posted to remind employees to protect themselves from occupational hazards. Air-system cleaning and carpet disinfection were also implemented to keep a safety and healthy working environment. Protective garments, masks and gloves are free for employees to use. The Group also provide disinfectants for relevant employees and customers and conduct environmental disinfection in the operation site at least twice per day.

During FY2019, the Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

B.3. Development and Training

Training presents an opportunity to expand the knowledge base of all employees, which the Group finds quite useful for addressing employees' weakness, improving employees' performance, keeping the consistency between employees and corporate vision, and meeting employees' training expectations. Thus, the Group actively provide training opportunities for employees. The Group encourages its employees to enhance their competitiveness and expand their capacity through continuous learning by attending external training.

Table 5: Total Training Courses of the Group in FY2019

	No. of the employee trained	Total training hour	Average training hours per employee
Male, general employee	21	1,008	48
Female, general employee	4	192	48
Male, manager	12	1,072	89
Female, manager	6	392	65
Male, director	5	103	21
Female, director	0	0	0
Total	48	2,767	58

Environmental, Social and Governance Report

The Group encourages both internal and external learning. For internal learning, the Group provides comprehensive on-the-job training for newly hired employees to help them understand the company's corporate culture, business processes, work health and safety measures, management systems and group development. As for external learning, the Group actively organise employees to attend training and offers extra leave for external training/examinations, such as study leave or examination leave, and the opportunity to apply for a reimbursement upon the approval from the head of the department.

- Invoice management
- Taxpayer exempt accounting policy training course
- National funeral construction and management workshop

In FY2019, two executive directors of the Group were honored with the "Bronze Certificate of Merit in Continuing Professional Development" by the Hong Kong Institute of Directors and completed Prince of Wales's Business of Sustainability Programme organised by CISL, which broadened their horizons of corporate sustainable development from the angle of government, finance and business. The Group believes that the professional training provided to the management of the Group can facilitate the entire enterprise to change towards a sustainable future.

B.4. Labour Standards

The Group strictly abides by the Employment Ordinance, Labour Law of the PRC (《中華人民共和國勞動法》), Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) and other related labour laws and regulations in Hong Kong and the PRC to prohibit any child or forced labour employment.

To combat illegal employment on child labour, underage workers and forced labour, and to ensure that applicants are lawfully employable, all employees are required by the Group's human resources staff to provide valid identification document before the confirmation of employment. The human resources department is responsible for monitoring and ensuring compliance with the latest and relevant laws and regulations that prohibit child labour and forced labour. The Group has a regular review on the human resources policies and the human resources department established a reporting mechanism to monitor and ensure the compliance of all relevant laws and regulations.

During FY2019, the Group was not in violation of any relevant laws and regulations concerning the prevention of child and forced labour that have a significant impact on the Group.

OPERATING PRACTICES

B.5. Supply Chain Management

As a socially responsible enterprise, it is critical and vital for the Group to maintain and manage a sustainable and reliable supply chain that makes minimal negative impacts on the environment and society. Each of the operating subsidiaries within the Group monitors the quality of its suppliers and ensures the supply chain practice on a strict and continuous basis. In FY2019, the number of primary suppliers of the Group was 7.

The media and entertainment business segment strictly assess the service suppliers and subcontractors to ensure their qualification of holding an exhibition or a concert. Safety concerns are the prior consideration when choosing subcontractors and the Group continuously monitors the safety protection performance.

Environmental, Social and Governance Report

The funeral segment is to provide service about funeral and interment. Thus, the principle supplies are mainly urns, eco-friendly coffins. The Group chooses suppliers according to the requirements of the specific business and customers and the environmental and social risks. The standards are listed as below:



a. The suppliers must hold the legal business license;



b. The product quality of the suppliers must be high-class;



c. The products of the suppliers must be environmentally friendly and pollution-free, which should be healthy and safe to the employees and the customers.

The Group's purchase department also takes other aspects into account when choosing suppliers such as raw material quality, service quality, former records, projects, reputation and social and environmental responsibility.

To maintain a fair and transparent purchase, the Group established a procurement manual, which is abstracted below. All the purchase within the Group should be based on the concept of cost efficient and clearly defined procurement contract.

The Group is dedicated to reducing the impact of the supply chain on the environment and advocates green procurement. Apart from quality requirements, the environmental requirements are also listed in the procurement contract.

The purchase department runs the annual evaluation of the suppliers to manage the supply chain risks. Suppliers with serious problems existed in the regulatory compliance, rights of the employees, health and safety, and environmental protection will be put in the blacklist immediately. Through the continuous monitor on the suppliers, the Group runs test on raw materials and products to track any potential defects. If the products do not accord with the requirements of the Group, The Group would monitor the supplier to take remedy measures and ensure its effective operation.

The Group always keeps a firm and stable relationship with its suppliers and is updated of the suppliers' situation effectively through the internet, phone calls, and other communication means to ensure that all suppliers comply with local laws and regulations and adherence to their corporate ethics. The Group also conduct basic evaluations upon contracts in top management turnover, production capacity, changes in manufacturing techniques and raw materials, and violations of the law and discipline of the suppliers.

B.6. Product Responsibility

The Group engages in different entertainment investment and production provides funeral and cremation services. With an aim to provide unsurpassed entertainment experiences to the audiences, we focus on organizing large concerts and creating comprehensive entertainment projects.

Entertainment business

Law compliance

As the entertainment segment mainly engages in the investment and production of media and entertainment projects and other commercial performing arts media, the Group has complied with intellectual property related laws and regulations in Hong Kong, Macao and the PRC. The specific laws involved include but not limited to: DL 43/99/M in Macao, the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) and the Patent Law of the People's Republic of China (《中華人民共和國專利法》). Besides all the laws above, the Group also abides by the regulations in the PRC for web drama publishing.

Environmental, Social and Governance Report

Quality of products

The Group strives to provide the best product to customers and has established an internal quality control team to monitor the product quality. Before investing in projects, the Group will conduct a research on its quality and profitability.

Advertising

The Group reviews all the promotion and marketing materials before publishing to ensure there is no exaggeration and wrongful description. All advertising materials should comply with the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》).

Intellectual property rights

We see the intellectual property as our most valuable asset and actively applies for trademarks and specialised knowledge. To safeguard the interest of the Group, the management team would review the clauses of the agreement in details properly to enter the agreements.

Apart from this, the Group also pays particular attention to prevent infringement. Genuine materials are commonly used to avoid infringement and solicitors are engaged to review the material contract and seek the legal advice when an infringement occurs.

Funeral service business

Law compliance

The Group's daily operation strictly complies with all relevant laws and regulations. Upon providing service of the funeral and interment and cemetery for the placement of bone ash, the Group mainly follows the regulations of the National Funeral Management Regulations (《國家殯葬管理條例》) and Funeral Management Approach for Guangdong Province (《廣東省殯葬管理辦法》) to ensure legal compliance. No violation of relevant laws relating to service quality, health and safety, advertising, labelling and privacy was found in FY2019.

Quality of products

To build up the harmonious relationship between man and nature, the Group advocates civilized and frugal procedure of the funeral and promotes the concept of "Green Funeral". Under the guidance of the local government, the Group has gradually developed areas for arbour burial, flower burial and grassland burial in the operation site. In FY2019, the total number of "Green Funeral" in the Group amounted to 30, which takes up 1% of the total funerals during the year under review. The Group is planning to increase the number of "Green Funeral" in the following years to reduce its environmental impacts.

Any action that fails to comply with the National Funeral Management Regulations (《國家殯葬管理條例》) and Funeral Management Approach for Guangdong Province (《廣東省殯葬管理辦法》) nor obeyed The Group's arrangement could lead to serious loss, and staffs relating to the false action would be recorded and dismissed, if necessary, to ensure the service quality.

Because of the high-quality products and services, the Group has perfectly met the requirements formulated by Zhaoqing Management Office and won the first prize representing Huaiji County among government offices in all districts in Zhaoqing.

Health and safety

The Group pursues high hygiene standards and performs sterilisation on the remains once they are transported to our facilities. With regard to the quality and safety of the ashes stored in the company, the ashes are produced by high temperature cremation of over 900 degrees centigrade. The only practice to prevent them from deteriorating is to seal them up. The cremation urns are kept in the ashes building with specific employees on guard to ensure proper management. Due to the strict management rules, there is no case of ashes deterioration or loss urns for the last decade since the operation site was built up.

To ensure a clean and tidy environment and that the funeral equipment is in good condition so that the deceased can be kept properly, the company is equipped with specialised cleaning staff who are required to clean the whole office area at least twice a day. Staffs must check the funeral related instruments to ensure safety and regular processing.

Environmental, Social and Governance Report

Complaints

The Group has prepared opinion box and 24-hour telephone hotline for any complaint file by the public. The complaints are collected and sent to the head office to conduct further study and analysis. According to the complaint content, complaints were assigned to different employees and the dealing results were public to all employees. During the year under review, the Group has not received any complaint.

Advertising

Due to the special nature of our business, no public advertisement is conducted, yet many new customers have been referred to us by word-of-mouth, where customers who are satisfied with our products and services share their experience with others around them. These measures strengthen our product offerings and service quality, and consequently enable us to stay competitive in the market.

Privacy matters

The Group complies with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and the relevant PRC laws and regulations to ensure that the rights and interests of customers are strictly protected. The internal file management system has built to archive all the cremation information and protect information from external threats. No information should be disclosed to a third party without permission from customers. Only specific staffs can reach the information and data processing is guided by different departments. Through internal training and confidential contract, the Group enforce the impression of confidential obligation and the consequences of data leakage. The IT department sets obstruction between the office and commercial net to prevent unauthorised data use, exportation and copy.

Intellectual property rights

The Group complies with laws and regulations that have a great impact on the Group such as Patent Law of the PRC (《中華人民共和國專利法》), the Trademark Law of the PRC (《中華人民共和國商標法》) and Patents Ordinance (Chapter 514 of the Laws of Hong Kong). Employees also have the responsibility to protect the intellectual property.

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducts its business, such as Law of the PRC on Anti-money Laundering (《中華人民共和國反洗錢法》), Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong), and the Prevention of Bribery Ordinance (Chapter. 201 of the Laws of Hong Kong).

All employees are expected to discharge their duties with integrity and self-disciplined, and they are required to abstain from engaging in any activities related to bribery, extortion, fraud and money laundering which might affect their business decision or independent judgment during business operations which might exploit their positions against the Group's interests.

The Group has no tolerance for any corruption and set up a whistle-blowing policy to report any corruption. Whistle-blowers can report verbally or in writing to the department or the senior management of the Group for any suspected misconduct with full details and supporting evidence. The management will conduct investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation through security regimes. Where criminality is suspected, a report is made to the relevant regulators or law enforcement authorities when the management considers necessary.

During the year under review, the Group was in compliance with the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Environmental, Social and Governance Report

COMMUNITY

B.8. Community Investment

As we work towards becoming a leading entertainment group, we never forget our mission “Explore the Infinite with Sun Entertainment”. Not only seek for potential investment opportunities for sustainable development, but also advocate active contribution and participation within the communities that we operate, particularly through three main areas: empowering children through love and education, ensuring the well-being of the communities, encouraging eco-friendly initiatives.

In FY2019, the Group supported charities as well as non-profit organisations through donations and staff volunteerism. By the year end, the Group has engaged some companies, covering Hong Kong and Macau, to establish a Volunteer Team of Sun Entertainment. The top management of the team aims to carry forward the spirit of the Group or even its stakeholders as well as the parties that possess the same mission to contribute to the society with a comprehensive strategy.

Empowering Children through Love and Education*Childishness charity carnival and Hong Kong Love Run 2019*

The two activities illustrated above were organised by Power of Love, who is committed to improving the educational environment for children in rural areas of China, and providing care and help for the under-privileged including the elderly, low-income families and chronic patients in Hong Kong. During the year under review, the Group took part in the childishness charity carnival and Hong Kong Love Run 2019 to raise money for the needed families' children.

*Ignite children passion • Love their lives*

The Group places great emphasis on cultivating children and focus on their growth and future. During the year, the Group has donated to a non-profit organisation, K for Kids Foundation Limited (“K for Kids”), to love, support and empower children from disadvantage backgrounds and to make a positive difference in their lives, their families and the community. Employees also participated in its community activities that K for Kids partnered with Po Leung Kuk residential child care services.



Environmental, Social and Governance Report

Ensuring Well-Being Community

2019 Listed Company Awards of Excellence

In FY2019, the Group was honored with the '2019 Listed Company Awards of Excellence'. With the high reputation and recognition by the society, the Group is fully aware of the social responsibility it should bear in leading the community to peace and prosperity. Through active engagement with the communities in recent years, we have obtained rich experience and commit to doing more to make the society better:

- Support the impoverished and underprivileged people by providing financial support and sponsoring them for the pursuit of high-level education; and
- Facilitate the cooperation with regulatory organisations and non-governmental organisations to build stable, long-term and systematic frameworks for building a more efficient and collaborative partnership with local communities in various areas.



Caring and Happy Company

The Group has also been awarded "Caring Company" Logo by the Hong Kong Council of Social Services and has received "Happy Company" Logo by the Promoting Happiness Index Foundation and the Hong Kong Productivity Council in recognition of our efforts in enhancing "Happiness-at-work" through implementing during the year.



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As of the activities the Group organized or participated in, the Group adheres to the “Target 11: Sustainable Cities and Communities”, invited underprivileged and youth to enjoy the exhibitions and offer special price to schools and non-profit organisation.



In China, we continued to support the community by donating on road building and charity event.

Encouraging eco-friendly initiatives

Run for Survival

The employees participated in the “Run for Survival”, organized by Ocean Park Conservation Fund Hong Kong, become a conservation hero by eliminating obstacles that symbolize marine debris while taking in the captivating views of Tolo Harbour in the Run. The donation was sponsored by the Group, protecting wildlife in the ocean from climate change and fighting illegal trade in endangered species.



The Community Chest Green Day

The employees joined the campaign of, the Green Day supported by the Community Chest, aims to arouse public awareness on environmental protection and raise fund for the needy. Employees who donated over HKD80 were receive a Green Day Souvenir Free Pass Ticket available from 2 to 3 June 2019.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chong Cho Lam (“Mr. Chong”), aged 41, joined the Group on 16 May 2018. Mr. Chong has worked in the media and entertainment field over 15 years. He founded Chessman Entertainment and Production Limited in Macau (“Chessman Macau”) in 2001 which is specializing in stage production and entertainment related projects. In 2014, he also founded Chessman Entertainment Production (HK) Ltd (“Chessman HK”), a company working in brand management, advertising, event planning and artiste management for clients. Mr. Chong is currently a managing director of both Chessman Macau and Chessman HK.

Mr. Chong is a Convenor of Committee of Cultural Industries of the Government of the Macao Special Administrative Region (“SAR”), a member of Commission on Youth of the Government of the Macao SAR, Chairman of Macau Artistes Association and a fellow of Hong Kong Institutes of Directors (“HKIoD”). Mr. Chong holds his Bachelor Degree in Chinese Language and Literature from the University of Macau in 2003. In 2019, Mr. Chong completed the Global Directorship Programme jointly organised by University of Cambridge Institute for Sustainability Leadership (“CISL”) and HKIoD and the Prince of Wales’s Business of Sustainability Programme organised by CISL.

Mr. Dong Choi Chi, Alex (“Mr. Dong”), aged 39, joined the Group on 4 May 2015. Mr. Dong has extensive experience in business development and marketing. In 2009, he founded Nextra Marketing and Business Consulting Limited (“Nextra Marketing”) in Macau which is specializing in event management and formulating strategic plans for clients. In 2011, he founded Nextra (HK) Limited (“Nextra HK”), a company provides creative marketing solutions to the Hong Kong market. In the same year, he also founded Sun Entertainment Culture Limited, a company produces and distributes films and organises live concert. Currently, Mr. Dong is the Chief Executive Officer of both of Nextra Marketing and Nextra HK and as well as a director of Sun Entertainment Culture Limited.

Mr. Dong is Sir of Malta Knights of St. John, Charter President of Macau Artistes Association and a fellow of Hong Kong Institutes of Directors (“HKIoD”). Mr. Dong holds his Master of Business Administration in Chinese Business Studies at St Clements University in 2011 and a Master of Business Administration at the Business University of Costa Rica in 2012. In 2018, Mr. Dong completed the Professional Program in Producing at the School of Theater, Film and Television, the University of California, Los Angeles, one of the top elite entertainment and performing arts institutions in the world. In 2019, Mr. Dong completed the Global Directorship Programme jointly organised by University of Cambridge Institute for Sustainability Leadership (“CISL”) and HKIoD and the Prince of Wales’s Business of Sustainability Programme organised by CISL.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Man (“Mr. Chan”), aged 54, joined the Group on 23 November 2007 and is a member of the Institute of Chartered Accountants in England and Wales and also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Chan has experiences in auditing, taxation and finance. Mr. Chan is an independent and non-executive director of Luxking Group Holdings Limited which is listed in Singapore. Mr. Chan was an independent non-executive director of Tai United Holdings Limited (stock code: 718) from May 2013 to January 2016.

Mr. Siu Hi Lam, Alick (“Mr. Siu”), aged 65, joined the Group on 2 February 2010, is the managing director of Fortune Take International Limited, a company engaging in providing financial consultancy services. Mr. Siu has worked in the finance and banking field for more than 25 years. Mr. Siu was the senior vice president of AIG Finance (Hong Kong) Limited and the vice president of Bank of America and responsible for business development and credit risk management. Mr. Siu holds a Master degree in Business Administration from the University of Hull in the U.K. Mr. Siu is currently an independent non-executive director of Get Nice Holdings Limited (stock code: 64). Mr. Siu was an independent non-executive director of New Provenance Everlasting Holdings Limited (stock code: 2326) from June 2009 to January 2020.

Mr. Ting Kit Lun (“Mr. Ting”), aged 54, joined the Group on 12 October 2015, has been a senior executive with substantial experience in mergers and acquisitions, investment management and regulatory compliance. Mr. Ting had served as APAC head of compliance and regional controller for 15 years in two Fortune 500 MNCs. Mr. Ting has also served a multi-national manufacturing enterprise as Chief Operating Officer. Mr. Ting is now a managing director of a licensed investment firm in Hong Kong providing investment advisory and risks management services to his clients, which include prominent financial groups in Hong Kong, an overseas bank and private equity firms in China.

Mr. Ting is a Responsible Officer licensed under the Securities and Futures Ordinance for securities advisory and asset management in Hong Kong. Mr. Ting is a fellow of the Association of Chartered Certified Accountants. Mr. Ting holds his Master of Business Administration degree from the University of Leicester, and his Master of Laws degree from the University of Hong Kong.

Biographical Details of Directors and Senior Management**SENIOR MANAGEMENT**

Mr. Jip Ki Chi (“Mr. Jip”), aged 49, joined the Group on 16 June 2014 and was appointed as the CFO and Company Secretary in September 2014. Mr. Jip is a fellow member of The Hong Kong Institute of Certified Public Accountant (“HKICPA”) and is a Certified Practising Accountant of CPA Australia (“CPA (Aust.)”). Mr. Jip graduated from Queensland University of Technology, Australia with a bachelor’s degree of business in accountancy in March 1994. Mr. Jip then graduated from University of Adelaide, Australia with a master degree in business administration in August 2008. Mr. Jip has a wealth of experience in account, finance, management and company secretarial field and is currently an independent non-executive director of China Meidong Auto Holdings Limited (Stock code: 1268) and Hebei Yichen Industrial Group Corporation Limited (Stock code: 1596).

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2019.

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information as required to be disclosed pursuant to rule 17.50A(1) of the GEM Listing Rules are set out below:

Mr. Chong Cho Lam, the executive Director

- appointed as a chief executive officer of the Company with effect from 17 June 2019.

Mr. Dong Choi Chi, Alex, the executive Director

- appointed as a chairman of the Board with effect from 17 June 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and segment results by business segment and geographical segment for the year ended 31 December 2019 are set out in note 4 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss on page 56. The Directors do not recommend the payment of a dividend for the year ended 31 December 2019 (31 December 2018: nil).

FIVE YEARS FINANCIAL HIGHLIGHTS

A summary of the results and the assets and liabilities of the Group for the last five financial periods is set out on page 158 of the annual report.

BUSINESS REVIEW

Media and entertainment business

During the year ended 31 December 2019, the total revenue from media and entertainment business was approximately HK\$115,427,000, which was 20.38% lower than that of the corresponding period of approximately HK\$144,968,000. During the year, revenues were mainly comprised of concert organisation income, sponsorship income, gain on investments in concert projects as well as income from other entertainment events. The Group has organised and invested in a total of 35 concerts (concerts in 2018: 12) and organised certain exhibitions namely 「吉卜力的動畫世界」展覽2019香港站 and 變變變! Move 生物體驗展•香港站. The significant increase in loss was mainly attributable to social unrest in Hong Kong since June 2019 which resulted in lower than expected performance of the exhibitions organised by the Group.

Cremation and funeral services business *Huaiji funeral parlour*

Cremation business operation in Huaiji was performing steadily during the year ended 31 December 2019 and its total revenue for the year (including relevant government subsidies received) was approximately HK\$10,820,000, which was 3.54% higher than that of the corresponding period of last year of approximately HK\$10,450,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2019 is set out in note 13 to the consolidated financial statements.

SHARE ISSUED IN THE YEAR

Details of the Company's shares issued during the year ended 31 December 2019 are set out in note 27 to the consolidated financial statements.

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

Save as 2,600,000 shares of the Company were purchased for an aggregate consideration of HK\$1,696,000 on the market by a trustee under the Company's share award scheme, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders comprised contributed surplus, share premium account and retained profit, if any. The Company had no retained profit available for distribution as at 31 December 2019.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Chong Cho Lam
Mr. Dong Choi Chi, Alex

Independent Non-Executive Directors

Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick
Mr. Ting Kit Lun

In accordance with clause 84 of the Bye-laws of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and shall be eligible for re-election. Accordingly, Mr. Chong Cho Lam and Mr. Ting Kit Lun will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors of the Company has entered into a service contract with the Company for an initial term of two years from the date of appointment and is renewable every two years thereafter, until terminated by not less than two months' notice in writing served by either party.

Each of the independent non-executive Directors of the Company has entered into a service contract with the Company for an initial term of one year from the date of appointment and is renewable each year thereafter, until terminated by not less than one month's notice in writing served by either party.

Save as disclosed above, none of the Directors offering themselves for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2019, the interests of the Directors and the chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Interests in shares and underlying shares of the Company

Number of ordinary shares and underlying shares beneficially held

(A) Long positions

Name	Capacity	Notes	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of issued share capital
Mr. Chong Cho Lam ("Mr. Chong")	Beneficial owner	1	2,000,000	1,000,000	3,000,000	0.24%
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Beneficial owner		287,549,682	–	287,549,682	22.99%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	2	431,346,823	–	431,346,823	34.49%
			718,896,505	–	718,896,505	57.48%

Notes:

- The underlying shares represent 1,000,000 awarded shares, which shall be vested within 1 business day after an audited consolidated net profit after tax of the Group of not less than HK\$5 million is recorded in any annual report of the Company published within 3 years from the grant date (i.e. 13 December 2019).
- Mr. Dong, Mr. Cheng Ting Kong and Mr. Chau Cheok Wa are parties acting in concert in respect of the Company pursuant to a deed in relation to parties acting in concert dated 23 January 2018.

Directors' Report

SHARE OPTION SCHEMES

The shareholders of the Company approved the adoption of the share option schemes on 22 October 2001 (the "2001 Share Option Scheme") and 31 August 2011 (the "New Share Option Scheme") respectively. The 2001 Share Option Scheme expired on 21 October 2011 and no further share options of the Company shall be granted under the 2001 Share Option Scheme thereafter. All outstanding share options granted under the 2001 Share Option Scheme were lapsed/cancelled during the year ended 31 December 2018. The Directors may at their discretion grant options to eligible participants who will contribute and had contributed to the success of the Group's operations.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent of the relevant class of securities of the listed issuer (or the subsidiary) in issue. Where any further grant of options to a participant would result in the securities issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent of the relevant class of securities in issue, such further grant must be separately approved by shareholders of the listed issuer in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting.

As at 31 December 2019, a total of 16,800,000 share options were remained outstanding, representing approximately 1.34% of the share of the Company issue as at date of this report. No participant was granted with share options in excess of the individual limit as set out in the Share Option Scheme. As at the date of this report, the remaining life of the Share Option Scheme is approximately one year. Further details of the Share Option Scheme are set out in note 28 to the consolidated financial statement.

Movements of the share options granted by the Company pursuant to the Share Option Scheme during the year ended 31 December 2019 were as follows:

	Number of share options					Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Forfeited/ lapsed/ cancelled during the year	Outstanding and exercisable as at 31 December 2019			
Category 1: Directors								
Mr. Chong Cho Lam	6,500,000	-	-	(6,500,000)	-	16 May 2018	16 May 2019 – 15 May 2028	HK\$0.576
	3,500,000	-	-	(3,500,000)	-	6 July 2018	6 July 2019 – 5 July 2028	HK\$0.484
Sub total	10,000,000	-	-	(10,000,000)	-			
Category 2: Employees/consultants								
Employees	6,000,000	-	-	(6,000,000)	-	16 May 2018	16 May 2021 – 15 May 2028	HK\$0.576
Employee	8,500,000	-	-	(8,500,000)	-	6 July 2018	6 July 2019 – 5 July 2028	HK\$0.484
Consultants	10,500,000	-	-	(10,500,000)	-	16 May 2018	16 May 2019 – 15 May 2028	HK\$0.576
Consultant	1,500,000	-	-	(1,500,000)	-	16 May 2018	16 May 2021 – 15 May 2028	HK\$0.576
Consultant	5,500,000	-	-	(5,500,000)	-	6 July 2018	6 July 2019 – 5 July 2028	HK\$0.484
Consultants	-	7,800,000	-	-	7,800,000	12 July 2019	12 July 2019 – 11 July 2029	HK\$0.740
Employees	-	9,000,000	-	-	9,000,000	12 July 2019	12 July 2019 – 11 July 2029	HK\$0.740
Sub total	32,000,000	16,800,000	-	(32,000,000)	16,800,000			
Total of all categories	42,000,000	16,800,000	-	(42,000,000)	16,800,000			

Directors' Report

All the share options granted by the Company before the general offer, were cancelled upon close of the general offer on 12 June 2019. Subsequently, the Company has granted 16,800,000 share options to several grantees.

SHARE AWARD SCHEME

On 6 December, 2019, the Company adopted a share award scheme (the "Share Award Scheme"), which is not subject to the provisions of Chapter 23 of the GEM Listing Rules, to recognise and reward the contribution of certain eligible persons to the growth and development of the Group and to attract suitable personnel for further development of the Group, through an award of the shares. Details of Share Award Scheme are set out in the announcement of the Company dated 6 December 2019.

As at 31 December 2019, the Company has granted a total of 3,000,000 awarded shares, represents about 0.25% of the total number of share as at the adoption date of the Share Award Scheme. All these awarded shares were awarded to Mr. Chong Cho Lam, being the executive Director and chief executive officer. During the year ended 31 December 2019, the trustee purchased 2,600,000 shares of the Company at a total cost (including related transaction costs) of HK\$1,696,000 on the market. 2,000,000 awarded shares were vested to an awardee during the year.

A summary of the awarded shares granted to eligible participant is set forth below:

Name of awardee	Date of grant	Number of awarded shares			Outstanding as at 31 December 2019
		Granted during the year	Vested during the year	Lapsed during the year	
Mr. Chong Cho Lam	13 December 2019	3,000,000	(2,000,000)	–	1,000,000

Further details of the Share Award Scheme are set out in note 28 to the consolidated financial statements.

Directors' Report

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

As at 31 December 2019, the following shareholders (including Directors) had interests or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO"), were as follows:

Number of ordinary shares and underlying shares beneficially held

Name	Capacity	Notes	Number of shares	Long/short position	Percentage of issued share capital
Mr. Dong	Beneficial owner A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	287,549,682	Long	22.99%
			431,346,823	Long	34.49%
					718,896,505
Mr. Chau Cheok Wa ("Mr. Chau")	Beneficial owner A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	431,346,823	Long	34.49%
			287,549,682	Long	22.99%
					718,896,505
Mr. Cheng Ting Kong ("Mr. Cheng")	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	718,896,505	Long	57.48%
New Brilliant Investments Limited	Beneficial owner	2	98,472,498	Long	7.87%
Mr. Chui Bing Sun ("Mr. Chui")	Beneficial owner Interest of controlled corporation	4 2 and 3	1,800	Long	0.00%
			149,474,498	Long	11.95%
					149,474,298
Mr. Chan Ping Che	Beneficial owner		97,390,000	Long	7.79%

Notes:

- Mr. Dong, Mr. Cheng and Mr. Chau are parties acting in concert in respect of the Company pursuant to a deed in relation to parties acting in concert dated 23 January 2018.
- New Brilliant Investments Limited is incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui.
- Checkmate Capital Limited and Grand Sea Limited are holding 36,000,000 and 15,000,000 shares respectively. They are incorporated in Hong Kong. They are wholly and beneficially owned by Mr. Chui.
- Mr. Chui is also holding 1,800 shares as beneficial owner. Mr. Chui was a former executive Director, the former chairman and the former chief executive officer of the Company who resigned with effect from 19 March 2018.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, the aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales and the aggregate purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme and the Share Award Scheme disclosed above, at no time during the year ended 31 December 2019 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 34 to the consolidated financial statement, no contract of significance, to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2019 or at any time during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2019, the Group has not entered into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules. Details of other material related party transactions are set out in note 34 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in note 2.4 to the consolidated financial statements.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year ended 31 December 2019.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

Mr. Dong Choi Chi, Alex ("Mr. Dong"), an executive Director of the Company, is the sole owner and director of Sun Entertainment Holdings Limited, which together with its subsidiaries, including Sun Entertainment Culture Limited, are principally engaged in investment holding, artiste and model management, entertainment, sports, publishing and film and concert production and coordination. He is also an ultimate beneficial owner and a director of Sun Motion (Hong Kong) Limited, which is also engaged in investment holding, artiste and model management, entertainment, sports, publishing and film and concert production and coordination. Mr. Dong is also one of the ultimate beneficial owners and a director of Sun Asia Group Limited, which together with its subsidiaries are principally engaged in the media and entertainment related investment and production in Macau. Therefore, he is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the new businesses of the Group in the media and entertainment industry (as would be required to be disclosed under Rule 11.04 of the GEM Listing Rules).

Mr. Chong Cho Lam, an executive Director of the Company, is a substantial shareholder and the managing director of Chessman Entertainment Production Company Limited, which is principally engaged in concert co-ordination and production, advertising design and market planning, original music, record production and distribution, public relations and artiste management in Macau. He is a substantial shareholder and director of Chessman Entertainment Production (HK) Limited, which is engaged in advertising production, project planning consultation, design, publishing, entertainment production and promotion. He is also a substantial shareholder and director of Chessman Management and Investment Company Limited, which is engaged in entertainment related investments and management in Macau. He is also a substantial shareholder of Good Media Production Company Limited which is engaged in film production and filming, music production, advertising production, original music, web design, publication publishing and media in Macau. He is also a substantial shareholder of Easy Music Production Company Limited which is engaged in record distribution, artiste management, music producer management, band management, musician management, concert production and music production in Macau. Therefore, he is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group in the media and entertainment industry (as would be required to be disclosed under Rule 11.04 of the GEM Listing Rules).

Save as disclosed above, the Directors are not aware of any business or interest of each of the Directors, management shareholders (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with business of the Group or any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2019.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share options scheme and the Share Award Scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 28 to the consolidated financial statements.

COMMITMENTS

Details of commitments are set out in notes 33, respectively to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company maintained the allowable lower minimum prescribed public float under the GEM Listing Rules and shall comply with the public float requirement under Rule 11.23 of the GEM Listing Rules as stipulated under Rule 17.38A of the GEM Listing Rules.

DONATIONS

During the year ended 31 December 2019, the Group made charitable and other donations amounting to approximately HK\$577,000, (31 December 2018: HK\$139,000).

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2019 and 31 December 2018 have been audited by Ernst & Young ("EY"). EY shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of EY as auditor of the Company will be proposed at the 2020 AGM. The Company has not changed its external auditor during the year ended 31 December 2019 and up to the date of this annual report.

On behalf of the Board

Dong Choi Chi, Alex

Chairman and executive Director

23 March 2020

Independent Auditor's Report



To the shareholders of Sun Entertainment Group Limited (formerly known as Sage International Group Limited)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Sun Entertainment Group Limited (formerly known as Sage International Group Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 56 to 157, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of an intangible asset with indefinite useful life

As at 31 December 2019, the Group had an intangible asset with indefinite useful life representing operating rights in relation to certain cremation business with a carrying amount of approximately HK\$8,993,000 (the "Intangible Asset"). An intangible asset with indefinite useful life is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit ("CGU") to which the Intangible Asset relates and whether the recoverable amount of the CGU is less than its carrying amount. For the year under review, the recoverable amount of the CGU has been determined by management based on a value in use calculation using cash flow projections specific to the CGU and applying a discount rate which reflects specific risks relating to the CGU, with the assistance from certain independent professionally qualified valuers (the "external valuers").

The impairment testing of the Intangible Asset required management to make certain assumptions and estimates that would affect the reported amount of the Intangible Asset and related disclosures in the consolidated financial statements.

We focused on this area due to the magnitude of the balance involved and the significant judgements and estimates required in determining the recoverable amount of the CGU.

Related disclosures are included in notes 3 and 15 to the consolidated financial statements.

We evaluated management's impairment assessment of the Intangible Asset. The key audit procedures we performed on evaluating the methodology, assumptions and estimates used in the impairment assessment included, among others, the following:

- we assessed the key assumptions used in management's cash flow projections, including, among others, budgeted/forecasted revenue and results of operations, long term growth rate and discount rate applicable to the CGU, taking into consideration the historical accuracy of the prior year's assumptions and estimates made by management;
- we obtained an understanding of the current and expected future developments of the CGU and factors that might affect key assumptions and estimates of the cash flow projections and discount rate applicable to the CGU;
- we evaluated the objectivity, capabilities and competence of the external valuers engaged by the Group;
- we involved our internal valuation specialists to assist us in evaluating the methodology used and certain key assumptions and estimates made by management, or the external valuers, including, among others, the specific discount rate and long term growth rate, with reference to relevant historical/market information;
- we evaluated management's assessment about reasonable possible changes in relevant key assumptions and estimates; and
- we evaluated the adequacy of related disclosures in the consolidated financial statements.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
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Accounting treatment for a share-based payment arrangement with a consultant, which includes a profit guarantee undertaken by the consultant

As detailed in note 29 to the consolidated financial statements, management had assessed the relevant terms and conditions of a share-based payment arrangement (the "Arrangement") with a consultant, which includes a profit guarantee (the "Profit Guarantee") undertaken by the consultant, in accordance with the terms of a strategic cooperation agreement (the "Agreement") and considered that based on the substance and purpose of the Arrangement, the Arrangement should be accounted for as equity-settled share-based payment transactions, which comprise of share-based payments for (i) the provision of certain services by the consultant, which is accounted for in accordance with HKFRS 2 *Share-based Payment*, and (ii) the Profit Guarantee, which is classified as a financial asset at fair value through profit or loss and accounted for in accordance with HKFRS 9 *Financial Instruments*. Measuring the fair values of the respective share-based payment transactions requires management to determine the most appropriate valuation methodology and inputs to the valuation model, which depends on the terms, conditions and purpose of the Arrangement. The Group engaged certain independent professionally qualified valuers (the "external valuers") to assist on the determination of the fair value of the Profit Guarantee. Based on management's accounting judgements, estimates and assumptions, prepayment of HK\$21,780,000, issued capital of HK\$825,000 and share premium of HK\$20,955,000 were recognised by the Group and share-based payment expense of approximately HK\$377,000 was subsequently recognised during the year with a corresponding reduction in the prepayment, and related disclosures have been included in the consolidated financial statements in respect of the Arrangement.

We evaluated management's assessment of the appropriateness of the accounting treatment for the Arrangement. The key procedures we performed included, inter alia, (i) examining the terms and conditions of the Agreement and other relevant facts and circumstances; (ii) obtaining an understanding from management the purpose of the Arrangement; (iii) assessing the appropriateness of the accounting treatment of the Arrangement; (iv) assessing the judgement estimates and assumption used in determining the respective fair value measurements; (v) evaluating the objectivity, capabilities and competence of the external valuers engaged by the Group; (vi) involving our internal valuation specialists to assist us in evaluating the methodology used and certain key judgements, assumptions and estimates made by management or the external valuers for the determination of the fair value of the Profit Guarantee; and (vii) evaluating the adequacy of related disclosures in the consolidated financial statements.

Independent Auditor's Report**Key audit matter****How our audit addressed the key audit matter**

We focused on this area due to the magnitude of the balances involved and the significant accounting judgments and estimates required.

The related disclosures are included in notes 3 and 29 to the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Yat Fai, Peter.

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

23 March 2020

Consolidated Statement of Profit or Loss

Year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
REVENUE	5	126,247	155,678
Cost of sales		(109,525)	(106,056)
Gross profit		16,722	49,622
Other income and gains	5	4,744	1,672
Selling, marketing and distribution expenses		(19,258)	(11,718)
General and administrative expenses		(43,172)	(31,527)
Other expenses, net		(9,500)	(16,632)
Finance costs	7	(339)	(170)
LOSS BEFORE TAX	6	(50,803)	(8,753)
Income tax expense	10	(749)	(1,961)
LOSS FOR THE YEAR		(51,552)	(10,714)
Attributable to:			
Owners of the Company		(49,122)	(8,260)
Non-controlling interests		(2,430)	(2,454)
		(51,552)	(10,714)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted (HK cents)		(4.0)	(0.7)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
LOSS FOR THE YEAR	(51,552)	(10,714)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(261)	(1,228)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(51,813)	(11,942)
Attributable to:		
Owners of the Company	(49,333)	(9,196)
Non-controlling interests	(2,480)	(2,746)
	(51,813)	(11,942)

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	14,820	15,549
Right-of-use assets	14	1,834	–
Intangible assets	15	13,644	13,636
Investment in a film right	16	–	7,769
Prepayments and deposits	21	14,244	447
Total non-current assets		44,542	37,401
CURRENT ASSETS			
Inventories	18	95	117
Film and drama under production	20	–	5,505
Investments in concert, other entertainment event and film production projects	17	21,374	24,139
Trade receivables	19	19,836	19,862
Prepayments, deposits and other receivables	21	44,202	14,003
Cash and cash equivalents	22	19,039	37,972
Total current assets		104,546	101,598
CURRENT LIABILITIES			
Trade payables, other payables, accruals and other financial liabilities	23	39,916	11,585
Deferred income	25	492	501
Other borrowing	24	335	2,960
Lease liabilities	14	1,652	–
Tax payable		10,275	9,640
Total current liabilities		52,670	24,686
NET CURRENT ASSETS		51,876	76,912
TOTAL ASSETS LESS CURRENT LIABILITIES		96,418	114,313

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		96,418	114,313
NON-CURRENT LIABILITIES			
Deferred income	25	2,308	2,853
Lease liabilities	14	150	–
Deferred tax liabilities	26	2,248	2,291
Total non-current liabilities		4,706	5,144
Net assets		91,712	109,169
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	31,270	30,445
Reserves	30	58,807	74,609
		90,077	105,054
Non-controlling interests		1,635	4,115
Total equity		91,712	109,169

Chong Cho Lam
Director

Dong Choi Chi, Alex
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Notes	Attributable to owners of the Company									
		Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Share-based payment reserve HK\$'000	Shares held under share award scheme HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2018		28,945	311,509	31,713	719	15,354	-	(300,962)	87,278	6,861	94,139
Loss for the year		-	-	-	-	-	-	(8,260)	(8,260)	(2,454)	(10,714)
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations		-	-	-	(936)	-	-	-	(936)	(292)	(1,228)
Total comprehensive loss for the year		-	-	-	(936)	-	-	(8,260)	(9,196)	(2,746)	(11,942)
Issue of shares upon placement	27	1,500	18,300	-	-	-	-	-	19,800	-	19,800
Share issue expenses	27	-	(621)	-	-	-	-	-	(621)	-	(621)
Equity-settled share option arrangements	28	-	-	-	-	7,793	-	-	7,793	-	7,793
Transfer of share-based payment reserve upon the cancellation/ expiry of share options	28	-	-	-	-	(15,877)	-	15,877	-	-	-
At 31 December 2018 and 1 January 2019		30,445	329,188*	31,713*	(217)*	7,270*	-	(293,345)*	105,054	4,115	109,169
Loss for the year		-	-	-	-	-	-	(49,122)	(49,122)	(2,430)	(51,552)
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations		-	-	-	(211)	-	-	-	(211)	(50)	(261)
Total comprehensive loss for the year		-	-	-	(211)	-	-	(49,122)	(49,333)	(2,480)	(51,813)
Purchase of shares held under share award scheme	28	-	-	-	-	-	(1,696)	-	(1,696)	-	(1,696)
Shares vested under the share award scheme	28	-	-	-	-	(1,305)	1,305	-	-	-	-
Equity-settled share option arrangements	28	-	-	-	-	12,937	-	-	12,937	-	12,937
Equity-settled share award arrangements	28	-	-	-	-	1,335	-	-	1,335	-	1,335
Other share-based payment arrangements	29	825	20,955	-	-	-	-	-	21,780	-	21,780
Transfer of share-based payment reserve upon the cancellation of share options	28	-	-	-	-	(13,258)	-	13,258	-	-	-
At 31 December 2019		31,270	350,143*	31,713*	(428)*	6,979*	(391)*	(329,209)*	90,077	1,635	91,712

* These reserve accounts comprise the consolidated reserves of HK\$58,807,000 (2018: HK\$74,609,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(50,803)	(8,753)
Adjustments for:			
Amortisation of deferred income of government grants	6	(499)	(522)
Depreciation of property, plant and equipment	6	3,567	3,423
Depreciation of right-of-use assets	14	1,696	–
Amortisation of an intangible asset	6	223	174
Impairment of trade receivables, net	6	44	69
Impairment of other receivables, net	6	709	179
Impairment of drama and film production		5,153	–
Gain on disposal of items of property, plant and equipment	6	(50)	(30)
Reversal of impairment of an intangible asset	6	(400)	(670)
Equity-settled share-based payments	6	14,649	7,793
Finance costs	7	339	170
		(25,372)	1,833
Decrease/(increase) in inventories		22	(60)
Increase in trade receivables		(18)	(19,074)
Increase in prepayments, deposits and other receivables		(15,684)	(5,727)
Decrease/(increase) in film and drama under production		352	(746)
Decrease in investments in concert, other entertainment event and film production projects, net		2,765	10,247
Increase in trade payables, other payables and accruals		28,331	5,826
Decrease in deferred income		–	(770)
Cash used in operations		(9,604)	(8,471)
Overseas taxes paid		(223)	(234)
Net cash flows used in operating activities		(9,827)	(8,705)

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of an intangible asset		–	(2,228)
Proceeds from disposal of items of property, plant and equipment		50	50
Purchases of items of property, plant and equipment		(3,063)	(1,717)
Net cash flows used in investing activities		(3,013)	(3,895)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	27	–	19,800
Share issue expenses		–	(621)
New other borrowings		–	6,760
Repayment of other borrowing		(2,625)	(3,800)
Principal portion of lease payments		(1,576)	–
Interest portion of lease payments		(233)	–
Purchase of shares for the share award scheme		(1,696)	–
Interest paid		(106)	(110)
Net cash flows generated from/(used in) financing activities		(6,236)	22,029
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(19,076)	9,429
Cash and cash equivalents at beginning of year		37,972	28,977
Effects of foreign exchange rate changes, net		143	(434)
CASH AND CASH EQUIVALENTS AT END OF YEAR		19,039	37,972
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		19,039	37,972

Notes to Financial Statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION

Sun Entertainment Group Limited (the “Company”) was incorporated in the Cayman Islands on 12 July 2001 and continued in Bermuda as an exempted company with limited liability under the laws of Bermuda.

The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is located at 10th Floor, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

Pursuant to a special resolution passed at a special general meeting of the Company during the year, the name of the Company was changed from Sage International Group Limited to Sun Entertainment Group Limited.

The Company also changed its Chinese name from 仁智國際集團有限公司 to 太陽娛樂集團有限公司 which is part of its legal name.

During the year, the Group was involved in the following principal activities:

- organisation/production of and investments in concerts and other entertainment events, and other media and entertainment related businesses; and
- provision of cremation and funeral services and deathcare related business

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Black Sesame Entertainment (Beijing) Co. Limited (“Black Sesame (Beijing)”) 黑芝麻娛樂文化(北京)有限公司 (i), (ii) & (iv)	People’s Republic of China (the “PRC”)/ Mainland China	US\$1,400,000	–	70	Production of dramas and musical performances and music intellectual property rights management
Black Sesame Entertainment Co. Limited (“Black Sesame”)	Hong Kong	HK\$10,001,001	–	70	Production of dramas and musical performances, artiste management and performance, and music intellectual property rights management
Grand Rich (Asia) Company Limited	Hong Kong	HK\$100	–	100	Holding of a club membership
Huai Ji Luck Mountain Funeral Parlor Limited (“Huai Ji”) 懷集萬福山殯儀館有限公司 (i), (ii), (iii) & (iv)	PRC/Mainland China	RMB10,500,000	–	100	Provision of cremation and funeral services

Notes to Financial Statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Luck Point Investments Limited	British Virgin Islands	US\$200	-	100	Investment holding
Luz Limited	Hong Kong	HK\$100	-	100	Production of film
Sage Dignity Services Limited	Hong Kong	HK\$100	-	100	Provision of administrative services
Sun Entertainment Asia Limited	Hong Kong	HK\$1	-	100	Investments in concert and other entertainment event projects
Sage Funeral Services Limited	Hong Kong	HK\$17	-	100	Operation of funeral business
Sun Motion Pictures Limited	Hong Kong	HK\$1	-	100	Production of online dramas
Sunny Side Up (BVI) Limited	British Virgin Islands	US\$100	100	-	Investment holding and investment in film production projects
Sunny Side Up (Never) Limited	Hong Kong	HK\$100	-	100	Investments in, organisation/production of concert, other entertainment event and film production projects

Notes:

- (i) Their statutory financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.
- (ii) Registered as a wholly-foreign-owned enterprise under PRC law.
- (iii) Luck Point Investments Limited, a holding company of Huai Ji, is entitled to a profit sharing ratio of 70% of the results of Huai Ji.
- (iv) English name is for identification purposes only.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group, or of particular importance to the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements

31 December 2019

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for an investment in a film right and investments in concert, other entertainment event and film production projects, and other financial instruments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to Financial Statements

31 December 2019

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (a) the fair value of the consideration received, (b) the fair value of any investment retained and (c) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19, HKAS 28 and Annual Improvements to HKFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 16 Leases

- (a) HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of accumulated losses at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for certain properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Notes to Financial Statements

31 December 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**HKFRS 16 Leases (Continued)*****As a lessee – Leases previously classified as operating leases (Continued)****Impact on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and separately presented in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	HK\$'000
<i>Assets</i>	
Increase in right-of-use assets	2,369
<i>Liabilities</i>	
Increase in lease liabilities	2,369

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 16 Leases (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impact on transition (Continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK\$'000
Operating lease commitments as at 31 December 2018	3,826
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(1,023)
Commitments relating to leases of low-value assets	(176)
	2,627
Weighted average incremental borrowing rate as at 1 January 2019	5%
Discounted operating lease commitments as at 1 January 2019	2,369
Lease liabilities as at 1 January 2019	2,369

- (b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that the interpretation did not have any significant impact on the financial position or performance of the Group.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Definition of a Business²</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material¹</i>

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

The Group is still in process of assessing the impact of the above new and revised HKFRSs. Further information about those HKFRSs that are currently expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The Group currently is still assessing whether the amendments will have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Fair value measurement**

The Group measures its investment in a film right, investments in concert, other entertainment event and film production projects, and other financial instruments at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Related parties (Continued)**

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Property, plant and equipment and depreciation (Continued)**

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3 $\frac{1}{3}$ % – 10%
Leasehold improvements	20%
Machinery	5% – 10%
Furniture and equipment	20% – 33 $\frac{1}{3}$ %
Motor vehicles	10% – 33 $\frac{1}{3}$ %

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Intangible assets (other than goodwill)** *(Continued)****Operating rights***

Separately acquired operating rights are stated at cost less any impairment losses. Operating rights acquired in a business combination are recognised at fair value at the acquisition date. Operating rights with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such operating rights are not amortised. The useful life of an operating right with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Club membership

Club membership with an indefinite useful life is stated at cost less accumulated impairment losses, if any. Club membership which is intended to be held on a continuing basis is classified as a non-current asset.

Licence right

Purchased licence right is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

Films and dramas under production

Films and dramas under production, include films and dramas in development, pre-production and production in the creation of films or dramas, are accounted for on a project-by-project basis and are stated at cost less any impairment losses. Upon completion and release, these films and dramas under production are reclassified as film and drama products.

An impairment loss is made if there has been a change in the estimates used to determine the recoverable/realisable amount and the carrying amount exceeds the recoverable/realisable amount.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Leases (applicable from 1 January 2019)**

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	2 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Leases (applicable from 1 January 2019) (Continued)****Group as a lessee (Continued)***(b) Lease liabilities (Continued)*

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Operating leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Investments and other financial assets*****Initial recognition and measurement***

Financial assets of the Group are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Investments and other financial assets (Continued)****Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. For the determination of any derivative in the context of contracts indexed to an entity's revenue or EBITDA or other similar measurement, the Group considers such measurement as a financial variable. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Derecognition of financial assets** *(Continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Impairment of financial assets (Continued)****General approach (Continued)**

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. If the Group has relevant information regarding historical loss experience of respective customer segments with similar loss patterns and could consider how current and forward-looking information might affect its customers' historical default rates and, consequently, how the information would affect its current expectations and estimates of ECLs, the Group may apply the practical expedient to calculate ECL using a provision matrix. A provision matrix is established based on the Group's historical loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group measures ECLs in a way that reflects: (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Financial liabilities*****Initial recognition and measurement***

Financial liabilities of the Group are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when permitted under certain embedded derivative provisions of HKFRS 9, or when doing so results in more relevant information, because either: (a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Financial liabilities (Continued)****Subsequent measurement (Continued)***Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss.

Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Shares held under share award scheme

Own equity instruments which are reacquired and held by the Company or the Group are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Income tax (Continued)**

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Income tax** *(Continued)*

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are initially recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Revenue recognition (Continued)****Revenue from contracts with customers (Continued)***(b) Cremation and funeral services*

Revenue from cremation and funeral services is generally recognised at the point in time in which the relevant services are rendered/completed.

(c) Concert and other entertainment event income

Revenue from the organisation of a concert or an other entertainment event is generally recognised when the specific concert or other entertainment event occurs.

(d) Sponsorship income

Sponsorship income for specific sponsorship activities over certain period is generally recognised over the relevant sponsorship period, usually on a straight-line basis, as the customer simultaneously receives and consumes the benefits provided under the sponsorship arrangement.

(e) Artiste management and performance services

Revenue from the provision of artiste management, artiste performance and other related services for/ relating to specific event or activity is generally recognised when the relevant event or activity occurs.

Revenue from other sources

- Cremation services income subsidised by the government is recognised when the relevant services are rendered and there are no unfulfilled condition or contingencies relating to the subsidies.
- Investments in concert, other entertainment event and film production projects are measured at fair value through profit or loss with gain or loss arising from net changes in fair value of such financial instruments recognised as revenue from other sources in the statement of profit or loss.

Management fee income

Management fee income in respect of services/arrangements provided over certain period is generally recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group under the arrangement.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

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

The cost of equity-settled transactions with employees and non-employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by external valuers using a binomial option pricing model, further details of which are given in note 28 to the financial statements.

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

Notes to Financial Statements*31 December 2019***2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Share-based payments** *(Continued)*

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Employee benefits*****Pension schemes***

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Foreign currencies** *(Continued)*

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Income taxes

Significant judgement is involved in determining the provision for income taxes. Determining income tax provisions involves judgements on the future tax treatments of certain transactions and interpretation of relevant tax legislation, interpretations and practices in respect thereof. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation, interpretations and practices in respect thereof.

Accounting treatment for a share-based arrangement with a consultant, which includes a profit guarantee undertaken by the consultant

As detailed in note 29 to the financial statements, management assessed the relevant terms and conditions of certain share-based payment arrangement with a consultant, with due consideration of the substance and purpose of the arrangement as a whole, to determine the appropriate accounting treatment and valuation basis for the respective components of the arrangement. Significant accounting judgements are required to evaluate the relevant facts and circumstances to arrive at such determination. Based on management's assessment, the share-based payment for the provision of services by the consultant is accounted for in accordance with HKFRS 2 *Share-based Payment* and the share-based payment for a profit guarantee undertaken by the consultant is accounted for in accordance with HKFRS 9 *Financial Instruments* as further detailed in note 29 to the financial statements.

Estimation uncertainty

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

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)**Estimation uncertainty (Continued)*****Impairment of non-financial assets***

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details in respect of property, plant and equipment and intangible assets are given in notes 13 and 15 to the financial statements, respectively.

Impairment of trade receivables and other receivables

The impairment provisions for trade receivables and other receivables are based on assumptions about expected credit losses. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on information about past events, current conditions and forecasts of future economic conditions at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss. Further details of the trade receivables and other receivables are given in notes 19 and 21 to the financial statements, respectively.

Fair value measurement of financial instruments at fair value through profit or loss

When the fair values of financial instruments at fair value through profit or loss recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from relevant observable markets/sources where possible, but where this is not feasible, certain degrees of judgements and estimates are required in establishing fair values. The valuation requires management to make certain judgements, estimates and assumptions about model inputs, including, inter alia, projected cash flows, discount rate and other factors. Changes in assumptions and estimates relating to these factors could affect the reported fair value of financial instruments. Further details are given in note 36 to the financial statements.

Share options

The determination of the fair values of the share options granted requires significant judgements and estimates in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the share options, the expected life of the share options and the number of share options that are expected to vest. Where the outcome of the number of share options that are ultimately vested is different from the expectation, such difference will impact the profit or loss in the subsequent remaining vesting period of the relevant share options.

Notes to Financial Statements

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)***Estimation uncertainty** *(Continued)***Leases – Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the media and entertainment segment primarily engages in the organisation/production of and investments in concerts and other entertainment events, and other media and entertainment related businesses; and
- (b) the cremation and funeral services segment primarily engages in the provision of cremation and funeral services and deathcare related business.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s loss before tax except that finance costs, share-based payment expense and head office and corporate expenses are excluded from such measurement.

Segment assets exclude certain property, plant and equipment, club membership and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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31 December 2019

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2019/At 31 December 2019

	Media and entertainment HK\$'000	Cremation and funeral services HK\$'000	Total HK\$'000
Segment revenue (note 5)			
Revenue from contracts with external customers	113,500	5,226	118,726
Other revenue [#]	1,927	5,594	7,521
	115,427	10,820	126,247
Segment results	(25,898)	362	(25,536)
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(24,928)
Finance costs			(339)
Loss before tax			(50,803)
Segment assets	93,005	24,589	117,594
<i>Reconciliation:</i>			
Corporate and other unallocated assets			31,494
Total assets			149,088
Segment liabilities	(38,990)	(6,743)	(45,733)
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			(11,643)
Total liabilities			(57,376)
Other segment information			
Depreciation and amortisation	806	1,750	2,556
Impairment/(reversal of impairment) of other receivables	688	(256)	432
Impairment of drama and film production	5,153	–	5,153
Gain on disposal of items of property, plant and equipment	–	50	50
Capital expenditure*	119	2,937	3,056

[#] Including government subsidies received for the rendering of cremation services and gain on investments in concert and other entertainment event projects, net.

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

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4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2018/At 31 December 2018

	Media and entertainment HK\$'000	Cremation and funeral services HK\$'000	Total HK\$'000
Segment revenue (note 5)			
Revenue from contracts with external customers	142,943	5,295	148,238
Other revenue [#]	2,025	5,415	7,440
	144,968	10,710	155,678
Segment results	8,032	(368)	7,664
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(16,247)
Finance costs			(170)
Loss before tax			(8,753)
Segment assets	86,079	24,580	110,659
<i>Reconciliation:</i>			
Corporate and other unallocated assets			28,340
Total assets			138,999
Segment liabilities	(12,537)	(7,226)	(19,763)
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			(10,067)
Total liabilities			(29,830)
Other segment information			
Depreciation and amortisation	393	1,631	2,024
Impairment of other receivables	–	179	179
Gain on disposal of items of property, plant and equipment	–	30	30
Capital expenditure [*]	2,805	1,140	3,945

[#] Including government subsidies received for the rendering of cremation services and gain on investments in concert and other entertainment event projects, net.

^{*} Capital expenditure consists of additions to property, plant and equipment and intangible assets.

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4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Segment revenue

	2019 HK\$'000	2018 HK\$'000
Revenue from contracts with external customers		
Hong Kong	32,699	14,217
Macau	76,866	126,578
Mainland China	9,161	7,443
	118,726	148,238
Other revenue		
Macau	776	454
Mainland China	5,486	5,415
Taiwan	1,083	–
Others	176	1,571
	7,521	7,440
	126,247	155,678

The revenue information above is based on the locations where the relevant sales, concerts or other entertainment events took place/underlying services were rendered.

(b) Non-current assets

	2019 HK\$'000	2018 HK\$'000
Hong Kong	8,304	8,757
Mainland China	21,977	20,428
Others	17	–
	30,298	29,185

The non-current assets information above is based on the locations of the assets/underlying assets and excludes financial instruments and prepayments.

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4. OPERATING SEGMENT INFORMATION *(Continued)***Geographical information** *(Continued)***Information about major customers**

The Group did not have revenues from any single customer, which accounted for 10% or more of the total revenue of the Group for the year ended 31 December 2019 (2018: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers</i>		
Provision of cremation and funeral services and sale of related goods	5,226	5,295
Concert and other entertainment event income and sale of related goods	111,853	142,019
Artiste management and performance services income	1,295	924
Other	352	–
	118,726	148,238
<i>Revenue from other sources</i>		
Rendering of cremation services	5,594*	5,415*
Gain on investments in concert and other entertainment event projects, net	1,927	2,025
	7,521	7,440
	126,247	155,678

* Being government subsidies received for the rendering of cremation services in certain location. There are no unfulfilled conditions or contingencies relating to these subsidies.

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5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Media and entertainment HK\$'000	Cremation and funeral services HK\$'000	Total HK\$'000
Type of goods or services			
Sale of goods	702	524	1,226
Cremation and funeral services	–	4,702	4,702
Concert and other entertainment event organisation	95,292	–	95,292
Sponsorship	15,859	–	15,859
Artiste management and performance	1,295	–	1,295
Other	352	–	352
Total revenue from contracts with customers	113,500	5,226	118,726
Geographical markets			
Hong Kong	32,699	–	32,699
Macau	76,866	–	76,866
Mainland China	3,935	5,226	9,161
Total revenue from contracts with customers	113,500	5,226	118,726
Timing of revenue recognition			
At a point in time	97,289	5,226	102,515
Services transferred over time	16,211	–	16,211
Total revenue from contracts with customers	113,500	5,226	118,726

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5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2018

Segments	Media and entertainment HK\$'000	Cremation and funeral services HK\$'000	Total HK\$'000
Type of goods or services			
Sale of goods	–	573	573
Cremation and funeral services	–	4,722	4,722
Concert and other entertainment event organisation	135,527	–	135,527
Sponsorship	6,492	–	6,492
Artiste management and performance	924	–	924
Total revenue from contracts with customers	142,943	5,295	148,238
Geographical markets			
Hong Kong	13,957	260	14,217
Macau	126,578	–	126,578
Mainland China	2,408	5,035	7,443
Total revenue from contracts with customers	142,943	5,295	148,238
Timing of revenue recognition			
At a point in time	136,451	5,295	141,746
Services transferred over time	6,492	–	6,492
Total revenue from contracts with customers	142,943	5,295	148,238

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5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2019

Segments	Media and entertainment HK\$'000	Cremation and funeral services HK\$'000	Total HK\$'000
Revenue from contracts with customers			
External customers	113,500	5,226	118,726

For the year ended 31 December 2018

Segments	Media and entertainment HK\$'000	Cremation and funeral services HK\$'000	Total HK\$'000
Revenue from contracts with customers			
External customers	142,943	5,295	148,238

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period.

	2019 HK\$'000	2018 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Cremation and funeral services	–	50
Media and entertainment services	2,540	–
	2,540	50

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5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied at the point in time upon delivery of the goods and payment is generally due within 30 days from delivery.

Cremation and funeral services

The performance obligation is generally satisfied at a point in time when the relevant services are rendered/completed and payment is generally due upon completion of services.

Concert and other entertainment event organisation

The performance obligation is generally satisfied upon the occurrence/completion of the relevant concerts and other entertainment events and payments in advance by customers are normally required, while ticketing agencies and/or other relevant parties normally settle the corresponding amounts received by them attributable to the Group within 60 to 180 days.

Sponsorship income

The performance obligation is generally satisfied over time as services are rendered and payment is generally due upon completion of the relevant events/activities, while certain payments in advance are normally required, with the balance payable upon completion of the relevant events/activities.

Artiste management and performance services

The performance obligation is satisfied at a point in time upon completion of the relevant events or activities and payment is generally due within 30 to 60 days upon completion of services.

	2019 HK\$'000	2018 HK\$'000
Other income and gains		
Gross rental income	–	458
Gain on investment in a film project	2,282	–
Gain on disposal of items of property, plant and equipment	50	30
Management fee income*	816	–
Other interest income	780	–
Others	816	1,184
	4,744	1,672

* The underlying services/arrangements are provided in Hong Kong and the performance obligations are generally satisfied over time and payment is generally due periodically.

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6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2019 HK\$'000	2018 HK\$'000
Cost of inventories sold		787	1,032
Depreciation of property, plant and equipment	13	3,567	3,423
Depreciation of right-of-use assets	14	1,696	–
Amortisation of an intangible asset*	15	223	174
Cost of drama recognised as an expense (other than impairment)^		352	–
Minimum lease payments under operating leases		–	2,467
Lease payments not included in the measurement of lease liabilities		465	–
Auditor's remuneration		2,499	2,380
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages, salaries, bonuses and allowances		11,155	8,634
Equity-settled share option expense		7,581	3,994
Equity-settled share award expense		1,335	–
Pension scheme contributions (defined contribution schemes)^^		158	137
		20,229	12,765
Equity-settled share option expense in respect of share options granted to consultants		5,356	3,799
Gain on disposal of items of property, plant and equipment		(50)	(30)
Reversal of impairment of an intangible asset*	15	(400)	(670)
Impairment of trade receivables, net	19	44	69
Impairment of other receivables, net	21	709	179
Impairment of drama and film production#		5,153	–
Other equity-settled share-based payment expense*	29	377	–
Share of net income/net loss from concerts and other entertainment events organised by the Group to co-investors**		4,329	16,632
Foreign exchange differences, net		202	43
Amortisation of deferred income of government grants		(499)	(522)

* Included in "General and administrative expenses" in the consolidated statement of profit or loss.

** Included in "Other expenses, net" in the consolidated statement of profit or loss.

^ Included in "Cost of sales" in the consolidated statement of profit or loss.

^^ At 31 December 2019, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years (2018: Nil).

Included in "Other expenses, net" in the consolidated statement of profit or loss. The impairment was made based on the amount estimated by management that could be recovered/realised from the drama and film production with reference to specific risk and future prospects of respective assets and expected market development.

Notes to Financial Statements

31 December 2019

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 HK\$'000	2018 HK\$'000
Interest on other borrowing from a company beneficiary owned by a director of the Company	106	170
Interest on lease liabilities	233	–
	339	170

Further details of the other borrowing and the terms of the other borrowing outstanding at the end of the reporting period are set out in note 24 to the financial statements.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Hong Kong Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2019 HK\$'000	2018 HK\$'000
Fees	720	675
Other emoluments:		
Salaries, bonuses and allowances	1,084	445
Equity-settled share-based payments	1,335	1,899
Pension scheme contributions	22	11
	2,441	2,355
	3,161	3,030

Notes to Financial Statements

31 December 2019

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

During the year, a director was granted certain share awards, in respect of his services to the Group, under the share award scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2019 HK\$'000	2018 HK\$'000
Mr. Chan Wai Man	240	225
Mr. Siu Hi Lam, Alick	240	225
Mr. Ting Kit Lun	240	225
	720	675

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

(b) Executive directors and the chief executive

	Salaries and allowances HK\$'000	Equity- settled share award expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2019				
<i>Chairman and executive director:</i>				
Mr. Dong Choi Chi, Alex	705	–	14	719
<i>Executive director and chief executive:</i>				
Mr. Chong Cho Lam	379	1,335	8	1,722
	1,084	1,335	22	2,441

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors and the chief executive (Continued)

	Salaries and allowances HK\$'000	Equity- settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2018				
<i>Executive director, chairman and chief executive:</i>				
Mr. Chui Bing Sun*	39	–	2	41
<i>Executive directors:</i>				
Mr. Dong Choi Chi, Alex	180	–	9	189
Mr. Chong Cho Lam	226	1,899	–	2,125
	445	1,899	11	2,355

* Resigned as an executive director, the Chairman of the Company and the Chief Executive Officer of the Group with effect from 19 March 2018.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include any director of the Company. Details of the remuneration for the year of the five (2018: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries, bonuses and allowances	3,472	3,559
Equity-settled share option expense	1,708	208
Pension scheme contributions	87	77
	5,267	3,844

Notes to Financial Statements

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9. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
Nil to HK\$1,000,000	3	4
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	1	–
	5	5

During the year, no emolument was paid or payable by the Group to the non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office (2018: Nil).

During the year and in prior year, share options were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019	2018
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	463	1,881
Under/(over)provision in prior years	89	(69)
Current – Elsewhere		
Charge for the year	197	106
Underprovision in prior years	–	43
	749	1,961

Notes to Financial Statements

31 December 2019

10. INCOME TAX (Continued)

A reconciliation of the tax credit applicable to loss before tax at the statutory tax rate for Hong Kong, in which the principal place of business of the Company and some of its major subsidiaries is located, to the tax charge at the effective tax rate is as follows:

	2019 HK\$'000	2018 HK\$'000
Loss before tax	(50,803)	(8,753)
Tax credit at the Hong Kong statutory tax rate of 16.5% (2018: 16.5%)	(8,383)	(1,444)
Effect of difference in tax rate for specific locations or enacted by local authority	1,348	318
Adjustments in respect of current tax of previous periods	89	(26)
Income not subject to tax	(137)	(116)
Expenses not deductible for tax	1,354	1,129
Tax losses utilised from previous periods	–	(35)
Tax losses not recognised	5,041	1,948
Others	1,437	187
Tax charge at the Group's effective rate	749	1,961

11. DIVIDEND

The board of directors of the Company does not recommend the payment of any dividend in respect of the year (2018: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of approximately 1,219,442,000 (2018: 1,161,250,000) in issue during the year, as adjusted to exclude shares held under the share award scheme of the Company.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of the share options outstanding and the unvested share awards had an anti-diluted effect on the basic loss per share amounts presented.

Notes to Financial Statements

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13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2019						
At 31 December 2018 and at 1 January 2019:						
Cost	10,987	5,307	4,740	2,330	4,774	28,138
Accumulated depreciation and impairment	(5,281)	(2,009)	(1,624)	(962)	(2,713)	(12,589)
Net carrying amount	5,706	3,298	3,116	1,368	2,061	15,549
At 1 January 2019, net of accumulated depreciation and impairment	5,706	3,298	3,116	1,368	2,061	15,549
Additions	-	2,613	334	116	-	3,063
Depreciation provided during the year	(428)	(1,327)	(408)	(452)	(952)	(3,567)
Exchange realignment	(104)	(54)	(58)	(3)	(6)	(225)
At 31 December 2019, net of accumulated depreciation and impairment	5,174	4,530	2,984	1,029	1,103	14,820
At 31 December 2019:						
Cost	10,755	7,838	4,976	2,439	4,318	30,326
Accumulated depreciation and impairment	(5,581)	(3,308)	(1,992)	(1,410)	(3,215)	(15,506)
Net carrying amount	5,174	4,530	2,984	1,029	1,103	14,820

Notes to Financial Statements

31 December 2019

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK\$'000	Leasehold improvements HK\$'000	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2018						
At 1 January 2018:						
Cost	11,159	5,024	4,332	2,208	6,004	28,727
Accumulated depreciation and impairment	(5,204)	(975)	(1,285)	(534)	(2,842)	(10,840)
Net carrying amount	5,955	4,049	3,047	1,674	3,162	17,887
At 1 January 2018, net of accumulated depreciation and impairment						
Additions	503	401	671	142	–	1,717
Disposal	–	–	–	–	(20)	(20)
Depreciation provided during the year	(430)	(1,076)	(430)	(437)	(1,050)	(3,423)
Exchange realignment	(322)	(76)	(172)	(11)	(31)	(612)
At 31 December 2018, net of accumulated depreciation and impairment	5,706	3,298	3,116	1,368	2,061	15,549
At 31 December 2018:						
Cost	10,987	5,307	4,740	2,330	4,774	28,138
Accumulated depreciation and impairment	(5,281)	(2,009)	(1,624)	(962)	(2,713)	(12,589)
Net carrying amount	5,706	3,298	3,116	1,368	2,061	15,549

Notes to Financial Statements

31 December 2019

14. LEASES**The Group as a lessee**

The Group has lease contracts for properties used in its operations. Leases of properties generally have lease terms of 2 years, other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Properties HK\$'000
As at 1 January 2019	2,369
Additions	1,156
Depreciation charge	(1,696)
Exchange realignment	5
As at 31 December 2019	1,834

Notes to Financial Statements

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14. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 Lease liabilities HK\$'000
Carrying amount at 1 January 2019	2,369
New leases	1,005
Accretion of interest recognised during the year	233
Payments	(1,809)
Exchange realignment	4
	<hr/>
Carrying amount at 31 December 2019	1,802
	<hr/>
Analysed into:	
Current portion	1,652
Non-current portion	150
	<hr/>

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 HK\$'000
Interest on lease liabilities	233
Depreciation charge of right-of-use assets	1,696
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in general and administrative expenses)	399
Expenses relating to leases of low-value assets (included in general and administrative expenses)	66
	<hr/>
Total amount recognised in profit or loss	2,394
	<hr/>

(d) The total cash outflow for leases is disclosed in note 32(c) to the financial statements.

Notes to Financial Statements

31 December 2019

15. INTANGIBLE ASSETS

	Licence right HK\$'000	Operating rights HK\$'000	Club membership HK\$'000	Total HK\$'000
31 December 2019				
Cost at 1 January 2019, net of accumulated amortisation and impairment	2,054	9,162	2,420	13,636
Amortisation provided during the year	(223)	–	–	(223)
Reversal of impairment during the year	–	–	400	400
Exchange realignment	–	(169)	–	(169)
At 31 December 2019	1,831	8,993	2,820	13,644
At 31 December 2019:				
Cost	2,228	8,993	2,900	14,121
Accumulated amortisation and impairment	(397)	–	(80)	(477)
Net carrying amount	1,831	8,993	2,820	13,644
31 December 2018				
At 1 January 2018:				
Cost	–	9,663	2,900	12,563
Accumulated amortisation and impairment	–	–	(1,150)	(1,150)
Net carrying amount	–	9,663	1,750	11,413
Cost at 1 January 2018, net of accumulated amortisation and impairment	–	9,663	1,750	11,413
Addition – acquired separately	2,228	–	–	2,228
Amortisation provided during the year	(174)	–	–	(174)
Reversal of impairment during the year	–	–	670	670
Exchange realignment	–	(501)	–	(501)
At 31 December 2018	2,054	9,162	2,420	13,636
At 31 December 2018 and at 1 January 2019:				
Cost	2,228	9,162	2,900	14,290
Accumulated amortisation and impairment	(174)	–	(480)	(654)
Net carrying amount	2,054	9,162	2,420	13,636

Notes to Financial Statements

31 December 2019

15. INTANGIBLE ASSETS (Continued)**Impairment testing of intangible assets with indefinite useful lives**

The impairment testing compares the carrying amount of an individual intangible asset or the cash-generating unit to which the intangible asset belongs with its recoverable amount as determined based on a value in use calculation, with the exception of a club membership whose recoverable amount was determined using fair value less costs of disposal based on quoted market prices (Level 1 within the fair value hierarchy) less estimated incremental costs for disposing the asset.

Club membership

During the current year, a reversal of impairment of HK\$400,000 was recognised for a club membership, as the recoverable amount thereof was higher than its net carrying amount of HK\$2,420,000 (before reversing the impairment loss) as at 31 December 2019 (note 6).

During the prior year, a reversal of impairment of HK\$670,000 was recognised for the club membership, as the then recoverable amount thereof was higher than its net carrying amount of HK\$1,750,000 (before reversing the impairment loss) as at 31 December 2018 (note 6).

Operating rights

The recoverable amount of the cash-generating unit (the "CGU") to which the operating rights belong in relation to certain cremation business of the Group has been determined based on a value in use calculation using cash flow projections based on financial budget/forecasts covering a five-year period approved by management. The discount rate applied to the cash flow projections is 14% (2018: 14%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2018: 3%).

Assumptions were used in the value in use calculation of the recoverable amount of the CGU for 31 December 2019 and 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the operating rights:

Budgeted/forecasted revenue and results of operations – The basis used to determine the value assigned to the budgeted/forecasted revenue and results of operations is the revenue and results of operations achieved in the year immediately before the budget/forecast year, adjusted for, among others, expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the CGU.

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16. INVESTMENT IN A FILM RIGHT

	2019 HK\$'000	2018 HK\$'000
Investment in a film right	–	7,769

During the year ended 31 December 2016, the Group entered into an investment agreement to invest in the development/production of a motion picture film for a cash consideration of US\$1 million, which entitled the Group to certain rights in connection with the investment, production and revenues of the film. Pursuant to the investment agreement, the Group is entitled to, among others, the right to recoup its investment amount and to share certain revenues of the film attributable to the Group in accordance with the terms of the investment agreement. Such arrangement was considered by the Group as an investment in a film right.

At 31 December 2018, the film was still under development and the Group considered the carrying amount of the investment approximated to its fair value at the end of the reporting period.

During the year ended 31 December 2019, the film producer of the film decided not to proceed with the production of the film. The Company entered into an agreement with the film producer to terminate its investment in the film right. Accordingly, the investment was derecognised and the amount to be recovered of HK\$7,769,000 was classified as an other receivable.

Notes to Financial Statements

31 December 2019

17. INVESTMENTS IN CONCERT, OTHER ENTERTAINMENT EVENT AND FILM PRODUCTION PROJECTS

	2019 HK\$'000	2018 HK\$'000
Investments in concert, other entertainment event and film production projects: As at 31 December	21,374	24,139

The Group's investments in concert, other entertainment event and film production projects at 31 December 2019 and 2018 are classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Investment in a film production project

During the year ended 31 December 2017, the Group entered into an investment agreement (the "Investment Agreement") with Sun Entertainment Films Limited ("Sun Entertainment"), a company beneficially owned by Mr. Dong Choi Chi, Alex, an executive director and substantial shareholder of the Company, for the investment (the "Investment") in the production of a motion picture film (the "Film"). Pursuant to the Investment Agreement, the Group is entitled to 20% of the right to the "Distributable Distribution Net Income" (as defined in the Investment Agreement, being the income generated from the global distribution of the Film and other income generated from the Film, less relevant distribution costs, withholding tax (if any) and a production bonus to the production company of the Film).

In addition, pursuant to the Investment Agreement, Sun Entertainment has irrevocably warranted and undertaken that if, in any event, the production of the Film could not be finished and the Film could not be released on or before 31 December 2018, Sun Entertainment should compensate the Group in an amount of approximately HK\$26.3 million (the "Guarantee Amount"); and if, within two years from the date of the first release of the Film, the Distributable Distribution Net Income received by the Group was less than the Guarantee Amount, Sun Entertainment should pay to the Group in advance the difference between the Guarantee Amount and the Distributable Distribution Net Income actually received by the Group. Such payment in advance was non-refundable in any events but could be used for offsetting the Distributable Distribution Net Income payable by Sun Entertainment to the Group thereafter in the future if any.

Pursuant to the Investment Agreement, the Company allotted and issued certain new shares of the Company as consideration for the underlying arrangement during the year ended 31 December 2017.

Notes to Financial Statements

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17. INVESTMENTS IN CONCERT, OTHER ENTERTAINMENT EVENT AND FILM PRODUCTION PROJECTS (Continued)**Investment in a film production project (Continued)**

As the acquisition of the Investment was part of an equity-settled share-based payment transaction, the Group measured, at initial recognition, the cost of the Investment at fair value, based on a valuation as determined by a firm of independent professional valuers of approximately HK\$26.7 million.

The production of the Film was completed and had theatrical releases in its primary markets during the year ended 31 December 2017. The carrying amount of the Investment at 31 December 2018 of HK\$5,720,000 represented the fair value of the estimated net future cash flows from the Film attributable to the Group.

During the year ended 31 December 2019, the Group recognised a gain on the investment of approximately HK\$2,282,000 (Note 5) and the investment return was collected through Sun Entertainment.

Investments in concert and other entertainment event projects

During the year ended 31 December 2019, the Group entered into several investment agreements to invest in the production/organisation of certain concerts and other entertainment event; which entitle the Group to, among others, the rights to share the net profit or loss of the respective concerts and an other entertainment event attributable to the Group, as appropriate, in accordance with the terms of the respective investment agreements. The Group measured, at initial recognition, the cost of these investments based on the cash consideration for these investments.

Certain concerts and other entertainment event were completed during the year and the carrying amount at the end of the reporting period represented the fair value of the estimated net future cash flows from these concerts and other entertainment event attributable to the Group.

18. INVENTORIES

	2019	2018
	HK\$'000	HK\$'000
Funeral related merchandises	95	117

Notes to Financial Statements

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19. TRADE RECEIVABLES

	2019	2018
	HK\$'000	HK\$'000
Trade receivables	19,880	19,931
Impairment	(44)	(69)
	19,836	19,862

The Group's trading terms with its credit sales customers for cremation and funeral business are generally 30 days. For media and entertainment business, other than ticket sales and certain sponsorship arrangements whereby payments in advance are normally required, the credit period is generally 30 to 60 days from the date of billing, while ticketing agencies and/or other relevant parties normally settle the corresponding amounts received by them attributable to the Group within 60 to 180 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the billed trade receivables as at the end of the reporting period, based on the invoice date or equivalent and net of loss allowance, is as follows:

	2019	2018
	HK\$'000	HK\$'000
Within 1 month	18,089	586
1 to 2 months	1,235	–
2 to 3 months	51	–
Over 3 months	71	–
	19,446	586

The remaining trade receivables were not yet due as at the end of the reporting period.

Notes to Financial Statements

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19. TRADE RECEIVABLES (Continued)

The movement in the loss allowance for impairment of trade receivables are as follows:

	2019 HK\$'000	2018 HK\$'000
At beginning of year	69	–
Amount written off as uncollectible	(69)	–
Impairment losses, net (note 6)	44	69
At end of year	44	69

Impairment under HKFRS 9 for the year ended 31 December 2019

An impairment analysis was performed at 31 December 2019 using the probability of default approach to measure expected credit losses. The probabilities of default rates were estimated based on comparable companies with published credit ratings. The calculation reflected the probability-weighted outcome, the time value of money and reasonable and supportable information that was available at 31 December 2019 about past events, current conditions and forward-looking credit risk information. As at 31 December 2019, the probability of default applied ranged from 0.23% to 1.87% and the loss given default was estimated to be ranged from 59.44% to 61.64%.

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis was performed at 31 December 2018 using a provision matrix to measure expected credit losses. The provision rate was based on days past due. The calculation reflected information that was available at 31 December 2018 about past events, current conditions and forecasts of future economic conditions, as appropriate.

Set out below is the information about the credit risk exposure on the Group's trade receivables as at 31 December 2018 using a provision matrix:

As at 31 December 2018

	Current
Expected credit loss rate	0.35%
Gross carrying amount (HK\$'000)	19,931
Expected credit losses (HK\$'000)	69

Notes to Financial Statements

31 December 2019

20. FILM AND DRAMA UNDER PRODUCTION

	2019	2018
	HK\$'000	HK\$'000
Film and drama under production	–	5,505

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK\$'000	HK\$'000
Prepayments	25,528	9,445
Deposits	700	750
Other receivables*	38,763	10,091
Amount due from a former director of a subsidiary	291	291
	65,282	20,577
Impairment allowance	(6,836)	(6,127)
	58,446	14,450
Less: Non-current portion	(14,244)	(447)
Current portion	44,202	14,003

Notes to Financial Statements

31 December 2019

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The movements in the loss allowance for impairment of other receivables are as follows:

	2019 HK\$'000	2018 HK\$'000
At beginning of year	6,127	5,948
Impairment losses (note 6)	709	179
At end of year	6,836	6,127

* Included in the Group's other receivables are amounts due to related companies of approximately HK\$1,181,000 as at 31 December 2019 (2018: Nil) which are unsecured, non-interest bearing and repayable on demand.

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default. As at 31 December 2019, the probability of default applied ranged from 0.2% to 16.8% (2018: 0.6% to 25.2%) and the loss given default was estimated to be 100% (2018: HK\$100%).

22. CASH AND CASH EQUIVALENTS

	2019 HK\$'000	2018 HK\$'000
Cash and bank balances	19,039	37,972

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$1,710,000 (2018: HK\$2,921,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Certain cash at banks earns interest at floating rates mainly based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Notes to Financial Statements

31 December 2019

23. TRADE PAYABLES, OTHER PAYABLES, ACCRUALS AND OTHER FINANCIAL LIABILITIES

	Notes	2019 HK\$'000	2018 HK\$'000
Trade payables	(a)	880	106
Contract liabilities	(b)	307	2,856
Other payables and accruals	(c)	13,746	6,385
Financial liabilities at fair value through profit or loss	(d)	24,983	2,238
		39,916	11,585

Notes:

- (a) An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 HK\$'000	2018 HK\$'000
Within 30 days	876	102
31 to 60 days	–	–
61 to 90 days	–	–
Over 90 days	4	4
	880	106

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

- (b) Detail of contract liabilities are as follows:

	2019 HK\$'000	2018 HK\$'000
Short-term advances received from customers		
Funeral services	307	307
Media and entertainment services	–	2,549
Total contract liabilities	307	2,856

Contract liabilities include short-term advances received to render funeral services and media and entertainment services. The decrease in contract liabilities in 2019 was mainly due to the recognition of revenue arising from the short-term advances received from customers in relation to the provision of media and entertainment services during the current year. The increase in contract liabilities in 2018 was mainly due to the increase in short-term advances received from customers in relation to the provision of media and entertainment services at the end of that year.

Notes to Financial Statements

31 December 2019

23. TRADE PAYABLES, OTHER PAYABLES, ACCRUALS AND OTHER FINANCIAL LIABILITIES (Continued)

- (c) Included in the Group's other payables and accruals are amounts due to related companies of approximately HK\$294,000 as at 31 December 2019 (2018: Nil) which are unsecured, non-interest bearing and repayable on demand. Except for the above, other payables are non-interest-bearing and repayable within 1 year.
- (d) The amounts mainly represent investments made by certain investors in concerts and other entertainment events which were organised by the Group. In accordance with the terms of the investment agreements, the investors are entitled the rights to recoup their investment amounts as appropriate and to share net profit or loss of the concerts and other entertainment events. The financial liabilities were designated upon initial recognition as at fair value through profit or loss, because either such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise and/or the financial liabilities form part of a group of financial assets or financial liabilities or both, or they are a group of financial liabilities or financial assets and financial liabilities that is managed and their performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel. The changes in fair values of these financial liabilities during the year of HK\$388,000 (2018:HK\$69,000) were charged to profit or loss.

24. OTHER BORROWING

	2019 HK\$'000	2018 HK\$'000
Current		
Other borrowing repayable within one year		
– unsecured	335	2,960

Notes:

- (a) The Group's other borrowing is denominated in RMB.
- (b) The Group's other borrowing represents a loan from a company beneficially owned by a director of the Company and is unsecured, interest bearing at 5% per annum and was originally repayable by 28 February 2019 and subsequently extended to 31 March 2019. During the current year, supplementary agreements were entered to further extend the loan maturity date to early 2020.

Notes to Financial Statements

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25. DEFERRED INCOME

	2019	2018
	HK\$'000	HK\$'000
Deferred income*	2,800	3,354
Less: non-current portion	(2,308)	(2,853)
Current portion	492	501

- * Various government grants have been received for purchasing of related machines/equipment for cremation business to encourage the Group to invest in cremation business. Upon the receipt of government grants, the Group recognises these grants as deferred income, which will be amortised and recognised as other income over the useful lives of respective property, plant and equipment.

26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2019	2019	Total
	Depreciation allowance in excess of related depreciation	Fair value adjustments arising from acquisition of subsidiaries	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	125	2,291	2,416
Deferred tax credited to profit or loss during the year	(125)	–	(125)
Exchange realignment	–	(43)	(43)
Gross deferred tax liabilities at 31 December 2019	–	2,248	2,248

Notes to Financial Statements

31 December 2019

26. DEFERRED TAX (Continued)**Deferred tax assets**

	2019 Losses available for offsetting against future taxable profits HK\$'000
At 1 January 2019	125
Deferred tax charged to profit or loss during the year	(125)
Gross deferred tax assets at 31 December 2019	–

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 HK\$'000
Gross deferred tax assets	–
Gross deferred tax liabilities	2,248
Net deferred tax liabilities recognised in the consolidated statement of financial position	2,248

Notes to Financial Statements

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26. DEFERRED TAX (Continued)

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK\$'000	2018 Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Total HK\$'000
At 1 January 2018	361	2,416	2,777
Deferred tax credited to profit or loss during the year	(236)	–	(236)
Exchange realignment	–	(125)	(125)
Gross deferred tax liabilities at 31 December 2018	125	2,291	2,416

Deferred tax assets

	2018 Losses available for offsetting against future taxable profits HK\$'000
At 1 January 2018	361
Deferred tax charged to profit or loss during the year	(236)
Gross deferred tax assets at 31 December 2018	125

Notes to Financial Statements

31 December 2019

26. DEFERRED TAX (Continued)**Deferred tax assets (Continued)**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2018 HK\$'000
Gross deferred tax assets	125
Gross deferred tax liabilities	(2,416)
<hr/>	
Net deferred tax liabilities recognised in the consolidated statement of financial position	(2,291)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable.

The Group has tax losses arising in Hong Kong of HK\$68,364,000 (2018: HK\$48,822,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of HK\$13,952,000 (2018: HK\$6,686,000) that will expire in five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have mainly arisen in subsidiaries that have been loss-making for some time and/or it is currently not considered probable that taxable profits will be available against which the tax losses can be utilised.

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27. ISSUED CAPITAL

Shares

	2019 HK\$'000	2018 HK\$'000
Authorised:		
3,200,000,000 (2018: 3,200,000,000) shares of HK\$0.025 each	80,000	80,000
Issued and fully paid:		
1,250,798,007 (2018: 1,217,798,007) ordinary shares of HK\$0.025 each	31,270	30,445

A summary of movements in the Company's issued capital is as follows:

	Notes	Number of shares in issue '000	Issued capital HK\$'000
At 1 January 2018		1,157,798	28,945
Issue of shares	(i)	60,000	1,500
At 31 December 2018 and at 1 January 2019		1,217,798	30,445
Issue of shares	(ii)	33,000	825
At 31 December 2019		1,250,798	31,270

Notes:

- (i) On 11 December 2018, the Company allotted and issued 60,000,000 additional ordinary shares of the Company of HK\$0.025 each through a share placement to several independent third parties at a placing price of HK\$0.33 per placing share, for a total consideration before expenses, of HK\$19,800,000 to provide additional working capital for the Group.
- (ii) On 13 December 2019, the Company allotted and issued 33,000,000 additional ordinary shares of the Company of HK\$0.025 each at their fair value based on the quoted market price of the Company's ordinary shares of HK\$0.66 per share as at that date to a third party consultant as further detailed in note 29 to the financial statements.

Notes to Financial Statements*31 December 2019***28. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME****Share option schemes**

The Company operates certain share option schemes for the purpose of providing incentives and rewards to eligible participants who contributed or are expected to contribute to the business or operation of the Group.

Pursuant to the share option scheme adopted by the Company on 22 October 2001 (the "2001 Scheme"), the Company might grant options to eligible participants to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. The 2001 Scheme expired on 21 October 2011 and the Group has stopped granting share option under the 2001 Scheme since then.

The Company adopted a new share option scheme (the "New Share Option Scheme") on 31 August 2011, the directors may at their discretion grant options to (i) any director, employee or consultant of the Group or a company in which the Group holds an equity interest or a subsidiary of such company (an "Affiliate"); or (ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee or consultant of the Group or an Affiliate; or (iv) any person or entity whose service to the Group or business with the Group contributes or is expected to contribute to the business or operation of the Group, to subscribe for shares of the Company during such period as may be determined by the directors of the Company (which shall not be more than ten years from the date of issue of the relevant options).

The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other scheme(s) of the Company shall not exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Options may be granted without any initial payment at a price (subject to adjustments as provided therein) equal to the higher of (i) the nominal value of the shares; (ii) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (iii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. Each option gives the holder the right to subscribe for one share.

On 23 January 2018, Heading Champion Limited (the "Offeror 1") and the Company jointly announced that the Offeror 1 would make voluntary conditional cash offers (i) to acquire all of the issued ordinary shares of the Company (other than those already owned by the Offeror 1 and the parties acting in concert with it); and (ii) to cancel all the outstanding share options granted by the Company pursuant to the New Share Option Scheme of the Company (other than those already owned by the Offeror 1 and the parties acting in concert with it) (collectively, the "Offers 1"). A composite document relating to the Offers 1 was issued by the Company on 13 February 2018. On 19 March 2018, all the then outstanding share options of the Company were cancelled.

On 4 April 2019, Mr. Chau Cheok Wa (the "Offeror 2") and the Company jointly announced that the Offeror 2 would make mandatory conditional cash offers (i) to acquire all of the issued ordinary shares of the Company (other than those already owned by the Offeror 2 and the parties acting in concert with it); and (ii) to cancel all the outstanding share options granted by the Company pursuant to the New Share Option Scheme of the Company (other than those already owned by the Offeror 2 and the parties acting in concert with it) (collectively, the "Offers 2"). A composite document relating to the Offers 2 was issued by the Company on 22 May 2019. On 12 June 2019, all the then outstanding share options of the Company were cancelled.

Notes to Financial Statements

31 December 2019

28. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Share option schemes (Continued)

The following share options were outstanding under the New Share Option Scheme during the year:

	2019		2018	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At 1 January	0.538	42,000,000	1.416	22,142,834
Granted during the year	0.740	16,800,000	0.538	42,000,000
Forfeited/cancelled during the year	0.538	(42,000,000)	1.416	(22,080,623)
Expired during the year	–	–	1.416	(62,211)
At 31 December	0.740	16,800,000	0.538	42,000,000

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2019

Number of options	Exercise price* HK\$ per share	Exercise period
16,800,000	0.740	12 July 2019 – 11 July 2029

2018

Number of options	Exercise price* HK\$ per share	Exercise period
17,000,000	0.576	16 May 2019 – 15 May 2028
7,500,000	0.576	16 May 2021 – 15 May 2028
17,500,000	0.484	6 July 2019 – 5 July 2028
42,000,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Notes to Financial Statements

31 December 2019

28. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Share option schemes (Continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2019	2018	
	July	May	July
Dividend yield (%)	–	–	–
Expected volatility (%)	82.58	83.79	87.76
Historical volatility (%)	82.58	83.79	87.76
Risk-free interest rate (%)	2.86	2.29	2.19
Expected life of options (year)	10	10	10
Weighted average share price (HK\$ per share)	0.740	0.576	0.484

The expected life of the options is based on the historical exercise patterns and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The variables and assumptions used in computing the fair values of the share options are based on the directors' best estimation. The value of the shares options varies with different variables of certain subjective assumptions. No other feature of the options granted was incorporated into the measurement of fair value.

16,800,000 share options were granted during the year ended 31 December 2019 without any vesting conditions. 42,000,000 share options were granted during the year ended 31 December 2018 with certain service vesting conditions. No share options were exercised during the year ended 31 December 2019 (2018: Nil). The fair value of the share options granted during the year was HK\$6,949,000 (HK\$0.414 each) (2018: HK\$13,258,000, HK\$0.316 each).

At the end of reporting period, the Company had 16,800,000 share options outstanding and exercisable (2018: 42,000,000 share options outstanding and nil exercisable) under the New Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 16,800,000 (2018: 42,000,000) additional ordinary shares of the Company and additional share capital of HK\$420,000 (2018: HK\$1,050,000) and share premium of HK\$12,012,000 (2018: HK\$21,532,000) (before issue expense).

At the date of approval of these financial statements, the Company had 16,800,000 share options outstanding under the New Share Option Scheme, which represented approximately 1.34% of the Company's share in issue as at that date.

Notes to Financial Statements

31 December 2019

28. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)**Share award scheme**

On 6 December 2019 (the "Adoption Date"), the Company adopted a share award scheme (the "Share Award Scheme") for the purpose of recognising the contributions by certain eligible person and providing them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for the growth and further development of the Group.

Eligible person of the Share Award Scheme include, inter alia, employees, directors, officers, consultants or advisors of any member of the Group. The Share Award Scheme will remain in force for 5 years from the Adoption Date, unless otherwise terminated or amended.

The aggregate number of shares of the Company currently permitted to be awarded under the Share Award Scheme is limited to 15% of the entire issued share capital of the Company as at the Adoption Date without shareholders' approval (the "Scheme Limit"). The Scheme Limit shall be refreshed automatically on each anniversary date of the Adoption Date during the duration of the Share Award Scheme, such that the Scheme Limit refreshed shall not exceed 15% of the issued share capital of the Company as at each anniversary date of the Adoption Date.

The eligible person for participation in the Share Award Scheme is selected and the number of shares to be awarded under the Share Award Scheme is determined by the board of directors. The shares to be awarded under the Share Award Scheme may be purchased by a trustee (the "Trustee") from the open market out of cash contributed by the Group and be held on trust for the selected participants until such shares are vested with the selected participants in accordance with the provisions of the Share Award Scheme.

The Trustee shall not exercise the voting rights in respect of any shares of the Company held by it under the Trust, including but not limited to the awarded shares, any bonus shares and scrip shares.

During the year, pursuant to a resolution passed at a meeting of the Company's board of directors (the "Board"), the Board resolved to award 3,000,000 shares of the Company (the "Awarded Shares") to a director (the "Director") of the Company pursuant to the Share Award Scheme at nil consideration. 2,000,000 Awarded Shares were vested immediately at the grant date and the remaining 1,000,000 Awarded Shares would be vested upon achieving certain performance-based vesting condition and such award would lapse if the performance-based vesting condition could not be met within 3 years from the grant day.

The fair value of the Awarded Shares awarded was based on the quoted market price of the Company's shares at the grant date and the Group recognised an equity-settled share-based payment expense of approximately HK\$1,335,000 for the year ended 31 December 2019 (2018: Nil).

Notes to Financial Statements

31 December 2019

28. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Share award scheme (Continued)

The following Awarded Shares were awarded and remained unvested under the Share Award Scheme during the year ended 31 December 2019:

	2019	
	Weighted average fair value at grant date per share	Number of unvested Awarded Shares
At 1 January	–	–
Awarded during the year	0.65	3,000,000
Vested during the year	0.65	(2,000,000)
At 31 December	0.65	1,000,000

At the date of approval of these financial statements, the Company had 1,000,000 Awarded Shares unvested under the Share Award Scheme, which represented approximately 0.08% of the Company's ordinary shares in issue at that date.

During the year, the Group purchased 2,600,000 shares of the Company through the Trustee ("Shares Held Under the Share Award Scheme") from the open market for a total consideration of HK\$1,696,000. Pursuant to the Share Award Scheme, 2,000,000 Shares Held Under the Share Award Scheme were transferred to the Director during the year when his 2,000,000 Awarded Shares were vested.

The movements in the Shares Held Under the Share Award Scheme are as follows:

	2019	
	Number of ordinary shares	Shares Held Under the Share Award Scheme HK\$'000
At 1 January	–	–
Purchases of shares for the Share Award Scheme	2,600,000	1,696
Transferred to the Director	(2,000,000)	(1,305)
At 31 December	600,000	391

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31 December 2019

29. OTHER SHARE-BASED PAYMENT ARRANGEMENT

On 19 November 2019, the Company and Sunny Side Up (Never) Limited ("Sunny Side Up"), an indirect wholly-owned subsidiary of the Company, entered into a strategic cooperation agreement (the "Agreement") with an independent consultant (the "Consultant"). Pursuant to the Agreement, Sunny Side Up has engaged the Consultant as an independent service provider to provide certain services (the "Services") in co-operation with Sunny Side Up and in relation to certain business of the Group from time to time over a 3-year cooperation period and the Consultant has guaranteed to Sunny Side Up that the guaranteed profit (the "Guaranteed Profit") to be derived from certain concerts or events to be organised or produced by the Group or certain concerts or events to be invested in or participated in by the Group (the "Shows") during the same three-year period should not be less than HK\$30 million (the "Profit Guarantee"). A company related to the Consultant has also executed a corporate guarantee in favour of Sunny Side Up as a security to the obligations of the Consultant under the Agreement.

In consideration of the Services to be provided during a three-year cooperation period, Sunny Side Up has agreed to pay to the Consultant certain consultancy fee. In addition to the consultancy fee, as an incentive to the Consultant, the Company also allotted and issued to the Consultant 33,000,000 ordinary shares of the Company (the "New Shares") on 13 December 2019 (the "Measurement Date").

Management had assessed the relevant terms and conditions of the share-based payment arrangement (the "Arrangement") with the Consultant, which includes the Profit Guarantee undertaken by the Consultant, in accordance with the terms of the Agreement and considered that based on the substance and purpose of the Arrangement, the Arrangement should be accounted for as equity-settled share-based payment transactions, which comprise of share-based payments for (i) the provision of the Services by the Consultant, which is accounted for in accordance with HKFRS 2 *Share-based Payment*, and (ii) the Profit Guarantee, which is classified as a financial asset at fair value through profit or loss and accounted for in accordance with HKFRS 9 *Financial Instruments*.

Given the specific nature of the Services and the Arrangement, management considered there was no available market price for the Services at the Measurement Date. Management also considered the range of reasonable fair value estimates of the Services was so significant that the Group had rebutted the presumption that the fair value of the Services could be estimated reliably. Accordingly, the Group estimated the fair value of the share-based payment for the Services indirectly based on the difference between the fair value of the New Shares issued and the fair value of the Profit Guarantee at the Measurement Date, as management considered these components are linked. The fair value of the New Shares at the Measurement Date of HK\$21,780,000 was determined based on the quoted market price of the Company's ordinary shares at that date. For the Profit Guarantee, the Group estimated its fair value at the Measurement Date with reference to certain production cost estimates of potential future Shows during the guarantee period and their estimated profit-sharing projections based on certain assumptions and available data to determine whether there would be any shortfall in the Guaranteed Profit based on the terms of the Agreement, with the assistance of certain independent professionally qualified external valuers. Based on such estimation and measurement, there would not be any material shortfall in the Guaranteed Profit and the fair value of the Profit Guarantee was estimated by management to be negligible. Accordingly, the Group has measured the fair value of the Services at the Measurement Date by reference to the entire fair value of the New Shares issued on that date.

Notes to Financial Statements

31 December 2019

29. OTHER SHARE-BASED PAYMENT ARRANGEMENT *(Continued)*

The fair value of the share-based payment for the Services was initially recognised as a prepayment for the Services not yet rendered and the cost of such share-based payment will be charged to profit or loss over the three-year cooperation period to reflect the fulfilment of relevant conditions for the rendering of the Services by the Consultant in accordance with the terms of the Agreement. Accordingly, prepayment of HK\$21,780,000, issued capital of HK\$825,000 and share premium of HK\$20,955,000 were recognised by the Group and share-based payment expense of approximately HK\$377,000 was subsequently recognised during the year with a corresponding reduction in the prepayment in respect of the Arrangement.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 60.

Contributed surplus

Pursuant to a special resolution passed at the extraordinary general meeting of the Company on 1 September 2010, a contributed surplus account was designated by the Company within the meaning of the Companies Act 1981 of Bermuda so as to carry the amounts as follows: (i) the entire amounts standing to the credit balance of the share premium account of the Company of HK\$59,873,000 were cancelled and transferred the credits arising from such cancellation to the contributed surplus account of the Company; (ii) transferred of the share premium arising from a capital reduction to the contributed surplus account of the Company; and (iii) offset the accumulated losses in full effective as at 31 August 2010.

The contributed surplus of the Company arose as a result of a capital reorganisation and represents the entire amount standing to the credit of the share premium account of the Company as at 31 August 2010 and the credits arising from capital reduction for eliminating or setting off the accumulated losses of the Company from time to time. Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company may be available for distribution under certain circumstances. However, the Company cannot declare or pay dividend, or make a distribution out of the contributed surplus, if there are reasonable grounds for believing that: (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Notes to Financial Statements

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31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2019	2018
Percentage of equity interest held by non-controlling interests:		
Huai Ji	30%	30%
Black Sesame	30%	30%
Black Sesame (Beijing)	30%	30%

	2019	2018
	HK\$'000	HK\$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Huai Ji	187	80
Black Sesame	(153)	(503)
Black Sesame (Beijing)	(2,464)	(2,031)

	2019	2018
	HK\$'000	HK\$'000
Accumulated balances of non-controlling interests at the reporting date:		
Huai Ji	5,372	5,253
Black Sesame	1,090	1,243
Black Sesame (Beijing)	(4,700)	(2,254)

Notes to Financial Statements

31 December 2019

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Huai Ji HK\$'000	Black Sesame HK\$'000	Black Sesame (Beijing) HK\$'000
2019			
Revenue	11,322	1,250	3,695
Total expenses	(10,699)	(1,760)	(11,907)
Profit/(loss) for the year	623	(510)	(8,212)
Total comprehensive income/(loss) for the year	271	(510)	(8,151)
Current assets	3,584	7,376	3,108
Non-current assets	20,894	10,978	1,184
Current liabilities	(1,080)	(14,720)	(8,833)
Non-current liabilities	(4,554)	–	(149)
Net cash flows from/(used in) operating activities	1,731	(289)	(2,987)
Net cash flows used in investing activities	(2,937)	–	(29)
Net cash flows from financing activities	–	300	2,713
Net increase/(decrease) in cash and cash equivalents	(1,206)	11	(303)

Notes to Financial Statements

31 December 2019

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

	Huai Ji HK\$'000	Black Sesame HK\$'000	Black Sesame (Beijing) HK\$'000
2018			
Revenue	10,450	56	2,408
Total expenses	(10,185)	(1,731)	(9,179)
Profit/(loss) for the year	265	(1,675)	(6,771)
Total comprehensive loss for the year	(494)	(1,675)	(6,983)
Current assets	4,742	1,452	9,540
Non-current assets	20,020	10,978	408
Current liabilities	(1,045)	(8,286)	(6,487)
Non-current liabilities	(5,144)	–	–
Net cash flows from/(used in) operating activities	1,618	1,418	(10,931)
Net cash flows used in investing activities	(2,662)	(3,932)	(513)
Net cash flows from financing activities	–	1,767	7,138
Net decrease in cash and cash equivalents	(1,044)	(747)	(4,306)

Notes to Financial Statements

31 December 2019

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

- (i) As further detailed in note 16 to the financial statements, the investment in a film right was derecognised during the year and the amount to be recovered of HK\$7,769,000 was classified as an other receivable.
- (ii) During the year, the Group allotted and issued the New Share to the Consultant pursuant to the terms of the Agreement as further detailed in note 29 to the financial statements. Prepayment of HK\$21,780,000, issued capital of HK\$825,000 and share premium of HK\$20,955,000 were recognised and share-based payment expense for the year of approximately HK\$377,000 was subsequently recorded with a corresponding reduction in the prepayment.

(b) Changes in liabilities arising from financing activities
2019

	Lease liabilities HK\$'000	Other borrowing HK\$'000
At 31 December 2018	–	2,960
Effect of adoption of HKFRS 16	2,369	–
At 1 January 2019 (restated)	2,369	2,960
Changes from financing cash flows	(1,809)	(2,625)
New leases	1,005	–
Foreign exchange movement	4	–
Interest expense	233	–
At 31 December 2019	1,802	335

Notes to Financial Statements

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32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities (Continued)
2018

	Other borrowing HK\$'000
At 1 January 2018	–
Changes from financing cash flows	2,960
At 31 December 2018	2,960

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 HK\$'000
Within operating activities	465
Within financing activities	1,809
	2,274

Notes to Financial Statements

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33. COMMITMENTS

Operating lease commitments as at 31 December 2018

The Group leased certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging one to two years, and those for office equipment are for terms of five years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK\$'000
Within one year	1,992
In the second to fifth years, inclusive	1,834
	3,826

34. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions, arrangements and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2019 HK\$'000	2018 HK\$'000
Related companies:			
Rentals paid/payable	(i)	–	330
Management fee received	(ii)	360	–
Agency fee paid	(iii)	–	440
Execution fee paid	(iii)	438	–
Share of net income from an entertainment event organised by the Group	(iv)	–	326
Commission paid	(v)	–	594
Loan interest paid	(vi)	106	–
Marketing service fee paid	(vii)	380	–
Artiste fee paid/payable	(viii)	473	–

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34. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

- (i) The rentals were charged in accordance with a tenancy agreement entered into between the relevant parties. A director of the Company during the relevant period has beneficial equity interest in the related company.
- (ii) The management fee was charged based on terms agreed between the relevant parties. A director of the Company has beneficial equity interest in the related company.
- (iii) The agency fee and execution fee are in connection with concerts organised by the Group and were charged based on terms agreed between the relevant parties. A director of the Company has beneficial equity interest in the related company.
- (iv) The share of net income was based on terms agreed between the relevant parties. A director of the Company has beneficial equity interest in the related company.
- (v) The commission was in connection with the placing of 60 million additional ordinary shares of the Company during the year ended 31 December 2018 (note 27) and was charged based on terms agreed between the relevant parties. A director of the Company has beneficial equity interest in the related company.
- (vi) The loan interest was charged in accordance with a loan agreement entered into between the relevant parties (note 24). A director of the Company has beneficial equity interest in the related company.
- (vii) The marketing service fee was charged based on the terms agreed between the relevant parties. A director of the Company has beneficial equity interest in the related company.
- (viii) The artiste fee was charged in accordance with the artist agreement entered into between the relevant parties. The artiste fee was charged by a close family member of a director of an indirect subsidiary of an indirect subsidiary of the Company.

(b) Compensation of key management personnel of the Group:

	2019	2018
	HK\$'000	HK\$'000
Short term employee benefits	1,804	1,120
Post-employment benefits	22	11
Equity-settled share-based payments	1,335	1,899
Total compensation paid to key management personnel	3,161	3,030

Further details of the directors' and chief executive's emoluments are included in note 8 to the financial statements.

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35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets

	Financial assets at fair value through profit or loss*	Financial assets at amortised cost	Total
	HK\$'000	HK\$'000	HK\$'000
Investments in concert, other entertainment event and film production projects	21,374	–	21,374
Trade receivables	–	19,836	19,836
Financial assets included in prepayments, deposits and other receivables	–	32,579	32,579
Cash and cash equivalents	–	19,039	19,039
	21,374	71,454	92,828

Financial liabilities

	Financial liabilities at fair value through profit or loss*	Financial liabilities at amortised cost	Total
	HK\$'000	HK\$'000	HK\$'000
Trade payables	–	880	880
Financial liabilities included in other payables, accruals and other financial liabilities	24,983	12,818	37,801
Other borrowing	–	335	335
Lease liabilities	–	1,802	1,802
	24,983	15,835	40,818

* Designed as such upon initial recognition

Notes to Financial Statements

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35. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

2018

Financial assets

	Financial assets at fair value through profit or loss*	Financial assets at amortised cost	Total
	HK\$'000	HK\$'000	HK\$'000
Investment in a film right	7,769	–	7,769
Investments in concert, other entertainment event and film production projects	24,139	–	24,139
Trade receivables	–	19,862	19,862
Financial assets included in prepayments, deposits and other receivables	–	4,997	4,997
Cash and cash equivalents	–	37,972	37,972
	31,908	62,831	94,739

Financial liabilities

	Financial liabilities at fair value through profit or loss*	Financial liabilities at amortised cost	Total
	HK\$'000	HK\$'000	HK\$'000
Trade payables	–	106	106
Financial liabilities included in other payables and accruals	2,238	3,431	5,669
Other borrowing	–	2,960	2,960
	2,238	6,497	8,735

* Designed as such upon initial recognition

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Investment in a film right	–	7,769	–	7,769
Investments in concert, other entertainment event and film production projects	21,374	24,139	21,374	24,139
Profit Guarantee	–	–	–	–
Financial liabilities				
Financial liabilities at fair value through profit or loss	24,983	2,238	24,983	2,238

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables at amortised cost, trade payables, financial liabilities included in other payables, accruals and other financial liabilities at amortised cost reasonably approximate to their carrying amounts largely due to the short term maturities/repayable on demand of these instruments or the effect of discounting is not material.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by management.

Notes to Financial Statements

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

For the investment in a film right, its fair value at 31 December 2018 was estimated with reference to the production budget of the underlying film under development and its status. For investments in certain concert projects, which were completed during the year, their fair values are estimated with reference to the net proceeds receivable from those concerts attributable to the Group. For investments in certain concerts under preparation during the year, their fair values are estimated with reference to their production budgets and profit sharing projections based on different ticket sales scenarios, and available market and historical data. For investment in a film production project, which was released for theatrical release in its primary markets in prior years, its fair value at 31 December 2018 was estimated with reference to the remaining net proceeds receivable from the exploitation of the film.

For the Profit Guarantee, its fair value is estimated with reference to certain estimated production cost estimates of certain potential future Shows during the guarantee period and their estimated profit sharing projections based on certain assumptions, and available data to determine whether there would be any shortfall in the Guaranteed Profit based on the terms of the Agreement.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Asset measured at fair value:

As at 31 December 2019

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	HK\$'000	HK\$'000	HK\$'000	
Financial assets at fair value through profit or loss:				
Investments in concert, other entertainment event and film production projects	–	–	21,374	21,374
Profit Guarantee	–	–	–	–
	–	–	21,374	21,374

The fair values of certain financial assets at fair value through profit or loss were estimated using the income approach (discounted cash flow method) which made reference to the estimated net future cash flows from the investments in concert, other entertainment event and film production projects. A 2% increase/decrease in discount rate would result in an increase/decrease in the fair values of such investments by an insignificant amount as at 31 December 2019.

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(Continued)

Fair value hierarchy (Continued)

Asset measured at fair value: (Continued)

As at 31 December 2018

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through profit or loss:				
Investment in a film right	–	–	7,769	7,769
Investments in concert and film production projects	–	–	24,139	24,139
	–	–	31,908	31,908

The movement in fair value measurements within Level 3 during the year are as follows:

	2019 HK\$'000	2018 HK\$'000
Financial assets at fair value through profit or loss:		
At 1 January	31,908	42,155
Net gain recognised in profit or loss	3,821	2,094
Additions	30,845	22,698
Settlements	(45,200)	(35,039)
At 31 December	21,374	31,908

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2019

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial liabilities at fair value through profit or loss	–	–	24,983	24,983

As at 31 December 2018

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial liabilities at fair value through profit or loss	–	–	2,238	2,238

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
*(Continued)***Fair value hierarchy** *(Continued)***Liabilities measured at fair value:** *(Continued)*

The movement in fair value measurements within Level 3 during the year are as follows:

	2019 HK\$'000	2018 HK\$'000
Financial liabilities at fair value through profit or loss:		
At 1 January	2,238	–
Net loss/(gain) recognised in profit or loss	(388)	69
Additions	25,881	2,169
Settlements	(2,748)	–
At 31 December	24,983	2,238

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise other borrowing and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as investment in a film right, investments in concert, other entertainment event and film production projects, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables and financial liabilities included in other payables, accruals and other financial liabilities, which mainly arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures primarily arise from revenue generated and/or costs and expenses incurred by operating units in currencies other than the units' functional currencies. Management does not expect any significant movements in the United States Dollar ("US\$")/HK\$ exchange rate as HK\$ is pegged to US\$ within a narrow band.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Renminbi ("RMB") exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in loss before tax HK\$'000
2019		
If HK\$ weakens against RMB	5	(18)
If HK\$ strengthens against RMB	(5)	18
2018		
If HK\$ weakens against RMB	5	(146)
If HK\$ strengthens against RMB	(5)	146

There is no impact on the Group's equity except on the accumulated losses.

Credit risk

The Group mainly trades on credit with recognised and creditworthy third parties. It is the Group's policy that customers who wish to trade on credit terms are in general subject to certain credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)***Maximum exposure and year-end staging**

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019 and 2018. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month		Lifetime ECLs		Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables*	-	-	-	19,880	19,880
Financial assets included in prepayments, deposits and other receivables					
– Normal**	22,206	11,413	-	-	33,619
– Doubtful**	-	-	5,796	-	5,796
Cash and cash equivalents					
– Not yet past due	19,039	-	-	-	19,039
	41,245	11,413	5,796	19,880	78,334

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2018

	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Trade receivables*	–	–	–	19,931	19,931
Financial assets included in prepayments, deposits and other receivables					
– Normal**	5,328	–	–	–	5,328
– Doubtful**	–	–	5,796	–	5,796
Cash and cash equivalents					
– Not yet past due	37,972	–	–	–	37,972
	43,300	–	5,796	19,931	69,027

* For trade receivables to which the Group applies the simplified approach for impairment, further detail information is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group's objective is to maintain adequate funds to meet commitments associated with its financial liabilities. Cash flows of the Group are closely monitored by senior management on an on-going basis, considering the maturity of the Group's financial liabilities and financial assets, and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2019

	Less than one year HK\$'000	1 to 2 years HK\$'000	Total HK\$'000
Trade payables	880	–	880
Financial liabilities included in other payables and accruals	37,801	–	37,801
Other borrowing	336	–	336
Lease liabilities	1,732	152	1,884
	40,749	152	40,901

2018

	Less than one year HK\$'000
Trade payables	106
Financial liabilities included in other payables and accruals	5,669
Other borrowing	2,997
	8,772

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)***Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its businesses and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares. The Group is not subject to any external imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is total liabilities divided by equity attributable to owners of the Company. The gearing ratios as at 31 December 2019 and 31 December 2018 were as follows:

	2019	2018
	HK\$'000	HK\$'000
Current liabilities	52,670	24,686
Non-current liabilities	4,706	5,144
Total liabilities	57,376	29,830
Equity attributable to owners of the Company	90,077	105,054
Gearing ratio	63.70%	28.39%

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38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 HK\$'000	2018 HK\$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	145	145
CURRENT ASSETS		
Due from subsidiaries	163,041	119,365
Other receivables	261	289
Cash and cash equivalents	2,148	20,509
Total current assets	165,450	140,163
CURRENT LIABILITIES		
Other payables and accruals	2,960	2,508
Due to subsidiaries	3,820	1,026
Total current liabilities	6,780	3,534
NET CURRENT ASSETS	158,670	136,629
Net assets	158,815	136,774
EQUITY		
Issued capital	31,270	30,445
Reserves (note)	127,545	106,329
Total equity	158,815	136,774

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38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium HK\$'000	Contributed surplus HK\$'000	Share- based payment reserve HK\$'000	Share- held under share award scheme HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2018	311,509	31,713	15,354	–	(271,923)	86,653
Loss and total comprehensive loss for the year	–	–	–	–	(5,796)	(5,796)
Issue of shares upon placement	17,679	–	–	–	–	17,679
Cancellation of share option	–	–	(15,733)	–	15,733	–
Equity-settled share option arrangements	–	–	7,793	–	–	7,793
At 31 December 2018 and 1 January 2019	329,188	31,713	7,414	–	(261,986)	106,329
Loss and total comprehensive loss for the year	–	–	–	–	(12,315)	(12,315)
Purchase of shares held under the share award scheme	–	–	–	(1,696)	–	(1,696)
Shares vested under the share award scheme	–	–	(1,305)	1,305	–	–
Equity-settled share option arrangements	–	–	12,937	–	–	12,937
Equity-settled share award arrangement	–	–	1,335	–	–	1,335
Transfer of share-based payment reserve upon the cancellation of share options	–	–	(13,258)	–	13,258	–
Other share-based payment arrangements	20,955	–	–	–	–	20,955
At 31 December 2019	350,143	31,713	7,123	(391)	(261,043)	127,545

39. EVENT AFTER THE REPORTING PERIOD

The outbreak of the novel coronavirus ("COVID-19") in early 2020 has certain impacts on the business operations of the Group. The Group has closely monitored the development of the COVID-19 outbreak and the extent of the impact depends on the duration of the pandemic and the implementation of relevant policies and protective measures by respective governments. The Group will pay close attention to any significant changes of situation and evaluate their impact on the financial position and operating results of the Group. Based on their current assessment, the directors of the Company do not consider there are any particular significant events relating to the Group after the end of the reporting period with material adverse effect on the basis of the financial statements arising from the COVID 19 outbreak that need to be disclosed in these financial statements.

40. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified/re-grouped to confirm with the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2020.

Five Years Financial Highlights

The following table summarises the results, assets and liabilities of the Group for the last five financial years as extracted from the published audited financial statements:

	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
REVENUE	126,247	155,678	94,497	16,287	20,004
LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY	(49,122)	(8,260)	(19,641)	(17,293)	(21,336)
TOTAL ASSETS	149,088	138,999	115,159	65,927	60,408
TOTAL LIABILITIES	57,376	(29,830)	(20,868)	(17,566)	(15,460)
NET ASSETS	91,712	109,169	94,291	48,361	44,948