



太陽娛樂集團  
SUN ENTERTAINMENT GROUP

8082  
STOCK CODE

ANNUAL REPORT **2021**  
**SUN ENTERTAINMENT  
GROUP LIMITED**

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

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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This report, for which the directors (the "Directors") of Sun Entertainment Group Limited (the "Company", together with its subsidiaries, the "Group" or "We") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") 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

Dr. Ip Wai Hung (*appointed on 1 September 2021*)  
Mr. Chan Wai Man  
Mr. Siu Hi Lam, Alick  
Mr. Ting Kit Lun (*resigned on 16 August 2021*)

## 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*)  
Dr. Ip Wai Hung (*appointed on 1 September 2021*)  
Mr. Siu Hi Lam, Alick  
Mr. Ting Kit Lun (*resigned on 16 August 2021*)

## NOMINATION COMMITTEE

Dr. Ip Wai Hung (*Chairman*) (*appointed on 1 September 2021*)  
Mr. Chan Wai Man  
Mr. Siu Hi Lam, Alick  
Mr. Ting Kit Lun (*resigned on 16 August 2021*)

## REMUNERATION COMMITTEE

Mr. Siu Hi Lam, Alick (*Chairman*)  
Mr. Chan Wai Man  
Dr. Ip Wai Hung (*appointed on 1 September 2021*)  
Mr. Ting Kit Lun (*resigned on 16 August 2021*)

## RISK MANAGEMENT COMMITTEE

Dr. Ip Wai Hung (*Chairman*) (*appointed on 1 September 2021*)  
Mr. Chong Cho Lam  
Mr. Jip Ki Chi  
Mr. Ting Kit Lun (*resigned on 16 August 2021*)

## AUTHORISED REPRESENTATIVES

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

## AUDITOR

Ernst & Young  
Certified Public Accountants  
Registered Public Interest Entity Auditor

## SOLICITOR

Michael Li & Co.

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11 Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

17th Floor, Fun Tower  
35 Hung To Road  
Kwun Tong, Kowloon  
Hong Kong

## PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited  
4th floor North Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

Bank of Communication (Hong Kong) Limited

## STOCK CODE

8082

## CONTACT INFORMATION

Tel: +852 2977 8082  
Fax: +852 3150 8092  
Email: [ir@8082.com.hk](mailto:ir@8082.com.hk)  
Website: [www.8082.com.hk](http://www.8082.com.hk)

# Chairman's Statement

I am pleased to present the Group's annual report for the financial year ended 31 December 2021. The year 2021 was a difficult year for the Group. Although the Group's turnover increased by approximately 68.5% to HK\$49.03 million (2020: HK\$29.1 million), the continuously outbreak and delay in reopening border seriously affect our businesses. The Group recorded a loss for the year of approximately HK\$71.62 million (2020: loss for the year of approximately HK\$30.68 million). Loss attributable to owners of the Company was approximately HK\$69.14 million (2020: approximately HK\$30.54 million). As at 31 December 2021, the Group's equity attributable to owners of the Company amounted to approximately HK\$120.54 million (2020: approximately HK\$61.36 million) and the net asset value per share was HK\$0.058 (2020: HK\$0.050).

## OUTLOOK

Though the year 2021 was still a challenging year for most of the business sectors across the world including Mainland China, Hong Kong and Macau, good progress on vaccination and effective pre-cautionary measures offers hope for economic recovery. Having said that, the Group believes that the entertainment industry will recover and the performance of the Group will gradually improve in the second half of 2022. We will continue explore strategic partnership and maintain our strong business and financial discipline against the tide with optimism.

In 2021, the Group developed and launched an integrated entertainment platform named "Bookyay", which incorporates an all-in-one lifestyle platform, combining online streaming contents, ticketing system, consumer products and a membership system.

Bookyay committed to enrich the local creative/cultural scene by bringing in diverse events and connecting talents from different realms, creating unique experiences to all users from concerts, cultural tours, local craftsmanship to holistic wellness activities, we encourage everyone to experience life in the fullest way.

In early of 2022, Bookyay has over 45,000 registered members from Hong Kong, Macau, Mainland China, Malaysia, USA, Canada and Australia etc. Having cooperated with approximately 100 event organizers, Bookyay has organized over 10,000 event sessions with over 82,000 event participants. We will further optimize the "Bookyay" platform and form strategic alliance with various business partners to enrich the user experience.

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 streams.

## 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.

**Dong Choi Chi, Alex**

*Chairman and executive Director*

28 March 2022

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2021, the total revenue of the Group (which was mainly arising from (i) media and entertainment businesses; and (ii) cremation and funeral services businesses) was approximately HK\$49,029,000 which was 68.51% higher than the corresponding period of last year of approximately HK\$29,095,000. The increase in revenue was mainly due to the Group has gradually resumed to organize concert, pop up stores and exhibitions during the year.

### Other income and gains

Other income and gains decreased from approximately HK\$2,400,000 to approximately HK\$1,101,000. Such decrease was mainly attributable to the absence of government subsidies of approximately HK\$748,000 received in the corresponding period of last year.

### Selling, marketing and distribution expenses

Selling, marketing and distribution expenses for the year ended 31 December 2021 were approximately HK\$7,775,000, which was 51.47% higher than the amount of corresponding period of last year of approximately HK\$5,133,000. The increase was due to more pop up stores and exhibitions were organised by the Group during the year. Such expenses as a percentage of revenue for the year was approximately 15.86% (2020: 17.64%).

### General, administrative and other expenses

General, administrative and other expenses for the year ended 31 December 2021 amounted to approximately HK\$51,373,000 which was 77.84% higher than the amount for the corresponding period of last year of approximately HK\$28,888,000. The increase was primarily attributable to (i) non-cash equity-settled share option expense of approximately HK\$11,375,000 recognised during the year; and (ii) IT expenses for development of an entertainment platform of approximately HK\$8,453,000.

### Loss for the year

The Group's loss for the year was approximately HK\$71,617,000 (2020: HK\$30,675,000). The increase in loss for the year was mainly due to increase in (i) share-based payment expenses; (ii) IT expenses for the development of an entertainment platform recognised in general, administrative and other expenses; (iii) sub-contracting fee and rental expense for the stage production company formed in January 2021; and (iv) impairment of trade and other receivables.

## OPERATION REVIEW

### Media and entertainment businesses

During the year ended 31 December 2021, the total revenue from media and entertainment businesses was approximately HK\$34,939,000, which was 96.87% higher than that of the corresponding period of approximately HK\$17,747,000. During the year, revenues were mainly derived from organisation of concert and other entertainment events, sponsorship income, net loss on investments in concert, other entertainment event, film and TV drama production projects. The Group organised and invested in a total of 8 concerts (2020: 3 concerts); organised 3 exhibitions (2020: 1 exhibition); organised 1 drama (2020: Nil); and organised 7 pop-up stores (2020: 2 stores) during the year.

### Cremation and funeral services businesses

Cremation and related business operations were enhanced during the year ended 31 December 2021 and their total revenue for the year (including relevant government subsidies recognised) was approximately HK\$14,090,000, which was 24.16% higher than that of the corresponding period of last year of approximately HK\$11,348,000. The increase was mainly due to (i) more customers used the high-grade cremation services; and (ii) some new value-added funeral services were launched during the year.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had cash and cash equivalents of approximately HK\$114,644,000 (31 December 2020: HK\$34,037,000) and the total assets of the Group were approximately HK\$209,706,000 (31 December 2020: HK\$118,935,000). As at 31 December 2021, the net current assets of the Group were approximately HK\$109,216,000 (31 December 2020: HK\$48,166,000) and the Group's current ratio, which represents current assets over its current liabilities, was approximately 3.38 times (31 December 2020: 2.53 times). The gearing ratio of the Group as at 31 December 2021 (calculated as total liabilities of HK\$87,386,000 over equity attributable to owners of the Company of HK\$120,542,000) was 72.49% (31 December 2020: 91.18%).

As at 31 December 2021, the Group borrowed a loan with outstanding principal amount of HK\$35,000,000 with interest rate of 3.5% per annum from a substantial shareholder of the Company.

## Management Discussion and Analysis

### RIGHTS ISSUE

The Company has completed the rights issue (the "Rights Issue") and issued 845,217,664 new shares at the subscription price of HK\$0.14 per rights share on the basis of four (4) rights shares for every five (5) existing shares to the qualifying shareholders on 26 October 2021. The net proceeds from the Rights Issue after deducting the expenses were approximately HK\$116.4 million.

Details of the Rights Issue are set out in the Company's prospectus dated 29 September 2021.

The intended and the actual use of the proceeds under the Rights Issue as of 31 December 2021 are set out below:

<b>Intended use of proceeds</b>	<b>Actual use of the proceeds from the date of completion of the Rights Issue to 31 December 2021</b>	<b>Proposed timetable for use of the remaining proceeds as of 31 December 2021</b>
(a) As to approximately HK\$31.0 million for the investment in the media and entertainment business	HK\$3.0 million	On or before 31 December 2022
(b) As to approximately HK\$35.0 million for repayment of amount owed to Mr. Chau Cheok Wa	–	On or before 31 December 2022
(c) As to approximately HK\$14.8 million for development of integrated entertainment platform and non-fungible tokens business	HK\$8.5 million	On or before 31 December 2022
(d) As to approximately HK\$14.2 million for day-to-day salary and administrative expenses	HK\$0.9 million	On or before 31 December 2022
(e) As to approximately HK\$7.4 million for investment in the funeral business	HK\$0.6 million	On or before 31 December 2022
(f) As to approximately HK\$6.7 million for the provision of audio, lighting and stage equipment and ancillary stage technical and engineering services	HK\$1.1 million	On or before 31 December 2022
(g) As to approximately HK\$7.3 million for general working capital	–	On or before 31 December 2022

## Management Discussion and Analysis

### 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.

### SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

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

### CURRENCY RISK EXPOSURE

The Group has certain operations in Mainland China and Taiwan, 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, Renminbi or New Taiwan Dollars.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 79 employees and including Directors (31 December 2020: 57). During the year ended 31 December 2021, short term employee benefits, which represented a key component of the total staff costs for the year ended 31 December 2021, 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 persons 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 27 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 2021.



# 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.

Save as disclosed below, the Company had complied with all the applicable code provisions of the Corporate Governance Code during year ended 31 December 2021.

Reference is made to the announcement of the Company dated 16 August 2021, in relation to the resignation tendered by Mr. Ting Kit Lun ("Mr. Ting") as an independent non-executive Director, the chairman of the nomination committee of the Company (the "Nomination Committee"), the chairman of the risk management committee of the Company (the "Risk Management Committee"), a member of the audit committee of the Company (the "Audit Committee") and a member of the remuneration committee of the Company (the "Remuneration Committee").

Following the resignation of Mr. Ting, the Board comprised four members with two executive Directors and two independent non-executive Directors. As a result, the number and composition of independent non-executive Directors fail to meet the requirements under (i) Rule 5.05(1) of the GEM Listing Rules which requires the board of directors must include at least 3 independent non-executive directors; (ii) Rule 5.28 of the GEM Listing Rules which requires the audit committee to comprise a minimum of three members and at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2) of the GEM Listing Rules; and (iii) Rule 5.36A of the GEM Listing Rules which requires that the Nomination Committee must be chaired by the chairman of the Board or an independent non-executive Director and comprising a majority of independent non-executive directors.

Reference is made to the announcement of the Company dated 1 September 2021. Following the appointment of Dr. Ip Wai Hung as an independent non-executive Director, the chairman of the Nomination Committee, the chairman of the Risk Management Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Company with effect from 1 September 2021, the Company had complied with Rules 5.05(1), 5.28 and 5.36A of the GEM Listing Rules.

## 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 2021.

## THE BOARD

As at the date of this report, the board of directors of the Company (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 Committee, Nomination Committee, Remuneration Committee and Risk Management Committee of the Company. None of the members of the Board is related to one another. During the year ended 31 December 2021, except for the extended time for replacing Mr. Ting Kit Lun, the independent non-executive Director, who resigned on 16 August 2021, 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)

On 16 August 2021, Mr. Ting Kit Lun has resigned as an independent non-executive Director, the chairman of the Nomination Committee and the Risk Management Committee, a member of the Audit Committee and the Remuneration Committee. With effect from 1 September 2021, Dr. Ip Wai Hung, an independent non-executive Director, has been appointed as the chairman of the Nomination Committee and the Risk Management Committee, a member of the Audit Committee and the Remuneration Committee.

## 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. Mr. Dong Choi Chi, Alex, has been appointed as the Chairman of the Board and 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(s), 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 Stock 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.

## AUDIT COMMITTEE

### Members

**Three independent non-executive Directors, namely Mr. Chan Wai Man (committee Chairman), Mr. Siu Hi Lam, Alick and Dr. Ip Wai Hung**

Major responsibilities	<ul style="list-style-type: none"> <li>• reviewing the accounting policies and supervising the Company's financial reporting process;</li> <li>• reviewing and monitoring the integrity of consolidated financial statements and the annual report, interim report and quarterly reports;</li> <li>• monitoring the effectiveness of financial controls, internal control and risk management systems;</li> <li>• considering and recommending the appointment, re-appointment and removal of external auditor of the Company; and</li> <li>• 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.</li> </ul>
Major work performed during the year 2021	<ul style="list-style-type: none"> <li>• reviewing and making recommendations for the Group's annual, interim and quarterly financial statements and the related results announcements;</li> <li>• reviewing the findings and recommendations of external consultant on internal control review report;</li> <li>• reviewing the report of external auditor;</li> <li>• reviewing the effectiveness of risk management and internal control system;</li> <li>• reviewing external audit planning for the year ended 31 December 2021;</li> <li>• discussing the audit findings with external auditor and the related management responses;</li> <li>• making recommendations to the Board, subject to the shareholders' approval at the 2021 annual general meeting, the appointment of external auditor of the Company;</li> <li>• reviewing of the development in accounting standards and its effects on the Group, and financial reporting matters;</li> <li>• 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</li> <li>• reviewing the Company's compliance with CG Code and disclosure in the Corporate Governance Report.</li> </ul>

## Corporate Governance Report

## NOMINATION COMMITTEE

## Members

Three independent non-executive Directors, namely Dr. Ip Wai Hung (committee Chairman), Mr. Chan Wai Man and Mr. Siu Hi Lam, Alick

## Major responsibilities

- reviewing the structure, size and composition of the Board;
- monitoring and reviewing the implementation of the board diversity policy;
- 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 2021

- 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 2021 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 Dr. Ip Wai Hung

## 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 2021

- 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.

## RISK MANAGEMENT COMMITTEE

### Members

**An independent non-executive Director, namely Dr. Ip Wai Hung (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"> <li>reviewing and assessing the effectiveness of the Group's risk management framework and internal control systems; and</li> <li>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.</li> </ul>
Major work performed during the year 2021	<ul style="list-style-type: none"> <li>reviewing and assessing the effectiveness of the Group's risk management system;</li> <li>reviewing and evaluating the major investment projects; and</li> <li>ensuring the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting functions.</li> </ul>

To streamline the organizational structure and improve the efficiency on the monitoring and reviewing process of the effectiveness of the Group's risk management and internal control systems, the Board has resolved to merge the functions and responsibilities of Risk Management Committee into Audit Committee in March 2022.

## 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"> <li>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</li> <li>addressing and dealing with such other matters as may be delegated by the Board to the Administration Committee.</li> </ul>
Major work performed during year 2021	<ul style="list-style-type: none"> <li>monitoring the operation of the share award scheme; and</li> <li>ensuring the procedures for the grant of awarded shares are in accordance with the rules of the share award scheme.</li> </ul>

## Corporate Governance Report

### 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.

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.

## Corporate Governance Report

## 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 2021 are set out in the following table:

Name of Directors/Senior management	Attendance/Number of meetings						
	Board Meeting	Audit Committee Meeting	Administration Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Risk Management Committee Meeting	Annual/Special General Meeting
<b>Executive Directors</b>							
Mr. Chong Cho Lam	10/10	N/A	1/1	N/A	N/A	1/1	3/3
Mr. Dong Choi Chi, Alex	11/11	N/A	1/1	N/A	N/A	N/A	3/3
<b>Independent non-executive Directors</b>							
Dr. Ip Wai Hung ( <i>appointed on 1 September 2021</i> )	3/3	2/2	N/A	1/1	1/1	1/1	2/2
Mr. Chan Wai Man	11/11	5/5	N/A	1/1	1/1	N/A	3/3
Mr. Siu Hi Lam, Alick	11/11	5/5	N/A	1/1	1/1	N/A	3/3
Mr. Ting Kit Lun ( <i>resigned on 16 August 2021</i> )	7/7	3/3	N/A	N/A	N/A	N/A	1/1
<b>Chief financial officer</b>							
Mr. Jip Ki Chi	N/A	N/A	N/A	N/A	N/A	1/1	N/A

## AUDITOR'S REMUNERATION

During the year ended 31 December 2021, remuneration in respect of audit and non-audit services provided by the existing auditor of the Company to the Group are set out below:

	2021 HK\$'000	2020 HK\$'000
Audit services	2,600	1,980
Non-audit services		
– review the preliminary announcement of annual results	20	20
– continuing connected transactions	30	–
– acts as reporting accountant to report on the financial information of the group for the Rights Issue	398	–
<b>Total</b>	<b>3,048</b>	<b>2,000</b>

## Corporate Governance Report

### REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the member of the senior management by band for the year ended 31 December 2021 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 Stock 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 2021 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 62 to 66 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 2021.

### 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 relevant topics to update and develop their knowledge and skills and provided a record of training to the Company.

The individual training record of each Director received for the year ended 31 December 2021 is summarized below:

Name of Directors	Reading relevant materials in relation to the business or director's duties
Mr. Chong Cho Lam	✓
Mr. Dong Choi Chi, Alex	✓
Dr. Ip Wai Hung (appointed on 1 September 2021)	✓
Mr. Chan Wai Man	✓
Mr. Siu Hi Lam, Alick	✓
Mr. Ting Kit Lun (resigned on 16 August 2021)	✓

## 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 at least annually and on an ongoing basis. 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.

### Process used to identify, evaluate and manage significant risks

The Board and management, with the assistance of the external consultant, are responsible for designing, implementing and monitoring of the risk management and internal control systems.

The processes used to identify, evaluate and manage significant risks by the Group are summarized as follows:

#### Risk identification

- Identifies risks through discussion with the management and management of each business unit of the Group. Risk identification and management questionnaire are used to document the risks identified by the management and management of each business unit of the Group.

#### Risk Response

- Categorizes the risks into low, medium or high risk;
- Determines the strategy to handle the risk; and
- Develops the risk register and internal audit plan and determines the frequency of review and control testing on key controls.

#### Risk Monitoring and Reporting

- On-going communication of monitoring results with the Board which enables it to assess internal control of the Group and the effectiveness of risk management during the year;
- risk questionnaires completed by the management, risk register and internal control audit plan; and
- fact finding report with recommendations on the review and testing of internal control on certain operating cycles and areas.

## Corporate Governance Report

### Internal control effectiveness

#### Internal Auditing

Group Internal Audit reports to the Audit Committee, 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. Based on the result of the Group's risk assessment, the Group has developed a three-year internal audit plan. During the year, the Group had engaged an external consultant to assist the Group Internal Audit in performing various agreed upon reviews on the revenue cycle and listing rules compliance cycle. This review covered all material controls, including financial, operational and compliance controls of the cycles reviewed. In addition, Group Internal Audit 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.

### 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 Stock 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 Stock 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 17th 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 17th Floor, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong or by email at [enquiry@8082.com.hk](mailto: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

Sun Entertainment Group Limited (the “Company”), the Company and its subsidiaries (collectively, the “Group”) is an investment holding company principally engaged in the businesses of media and entertainment and funeral services. The media and entertainment segment is involved in the organisation/production of and investments in concert, exhibition, pop up store, other entertainment event and TV drama production projects. The funeral services segment is involved in the provision of funeral and cremation services and death care related business. With the ambition and commitment to build a flexible and reliable enterprise that can benchmark against industry leaders in sustainable development, the Group is persistently exploring new ways to transform its business models and optimise its operations in order to generate shared value for its stakeholders.

The Group will keep maintaining the strong momentum in the integration of environmental, social and governance management concepts and systems throughout all aspects of businesses, and continue to build a trustful and supporting relationship to unite its stakeholders to make the whole industry better.

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 Environmental, Social and Governance (“ESG”) Report for the year ended 31 December 2021 (“FY2021”), which demonstrates the Group’s approach and performance in terms of ESG management and corporate sustainable development for FY2021.

### Boundary Setting

Consistently adopting the operational control approach and the principle of materiality in defining the reporting boundary, the scope of this ESG report covers the performance and management policies within the major business segments of the Group including the operations of the media and entertainment business, and the cremation and funeral service business in Hong Kong and the PRC.

For the corporate governance section, please refer to the Group’s 2021 Annual Report on pages 7 to 19 therein. The reporting period of this ESG report is for FY2021 unless specifically stated otherwise.

### Reporting Principles

#### **Materiality:**

With limited time and resources, the prioritisation of the significance of the Group’s environmental, social and economic impacts is key for the Group in setting an effective sustainability strategy. As a common strategic business tool for assessing ESG-related issues, the Group implemented the materiality assessment by gathering the feedback from various stakeholder groups (covering internal and external) about their concerns and expectations in terms of the company’s sustainable development in FY2021. The result showed that three topics were identified as material to the Group, to which the Board of Directors of the Group (the “Board”) will pay more attention in its decision-making, monitoring and implementation of management mechanisms in the future.

#### **Quantitative:**

To implement the reporting principle of Quantitative, a series of well-defined Key Performance Indicators (KPIs) are used for measurement and benchmarking under sections of environmental and social sustainability issues in the ESG report. To ensure that readers can grasp a deeper understanding of the Group’s ESG performance under environmental and social subjects, a summary of the Group’s performance in greenhouse gas (“GHG”) emissions, consumption of various energy resources and number of employees by different categories is shown in a measurable format.

#### **Balance:**

To portrait an unbiased picture of the Group’s ESG performance in pursuit of delivering a sound and objective evaluation to its readers, the Group conformed to the principle of Balance, revealing both its achievements and room for improvement of the Group sustainability performance in FY2021.

## Environmental, Social and Governance Report

### ***Consistency:***

To facilitate an informed decision-making process through transparent information disclosure, the Group has adopted a consistent methodology for data collection and organisation used over the years. The calculation of GHG emissions, for instance, is in alignment with local reporting rules and internationally recognised standards including the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The Group utilises a reporting framework that was in alignment with the order for disclosure in the HKEx ESG Reporting Guide, which is believed to be conducive to the coherence of reporting structure and building a roadmap visualising its growth in sustainability to all while allowing for more effective comparisons.

### **Information disclosure**

The information in the 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 questionnaires based on the reporting framework, and the analysed data reflecting the Group's annual performance in business operations and sustainable development. To deliver a more formalised ESG report that appeals to our readers, a complete content index is available at the end of the ESG report for readers' convenience. The report was prepared in both English and Chinese. Should there be any conflict or inconsistency, the English version shall prevail.

## II. BOARD INCLUSIVENESS

Acknowledging that listed companies are the engines for promoting global sustainable development, the Board is committed to creating sustainable value for its stakeholders and realising its sustainable goals. In order to carry out the Group's sustainability strategy from top to bottom, the Board assumes ultimate responsibilities for overseeing and ensuring the effectiveness of the Group's ESG policies and matters.

Meanwhile, with the forward-looking guidance and well-designed plans to address underlying ESG matters, a dedicated senior management, under the leadership and oversight of the Board, keeps reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders on a regular basis.

By driving the corporate governance and ESG agenda from the top, the Group can effectively identify potential ESG risks and opportunities, thereby making corresponding adjustments and improvements timely. With the establishment of the accountability mechanisms within the Group, the Group is committed to solid ESG management while remaining competitive compared with its peers in the market. Details of the Group's management approaches in both the environmental and social aspects are elaborated in different sections of this ESG report.

### **Board Statement**

2021 was another year with pandemic and its associated impacts still presenting numerous unprecedented challenges for us all. Our focus on sustainability is fundamental to our strategy, which upheld our tenacity and resilience to face the crisis and continued our efforts to make progress across our sustainability performances.

### ***Maintaining Our Priorities***

Although the prevention and control of the pandemic shifted our attention from our normal business operations which were stable and organised, the Group was still committed to maintaining the provision of high-quality services and products to our customers in a responsible manner. For instance, in FY2021, through the establishment of effective management framework and implementation of internal policies in controlling our environmental impacts, our performance in improving energy and resource efficiency were improved, thanks to the concerted efforts of our dedicated staff.

## Environmental, Social and Governance Report

### *Striving for Our Aspirations*

In addition to the pandemic, environmental crisis also taught the world a lesson that our planet is fragile and the prosperity and stability of our society have never come easy. As the global focus has been increasingly put on the speedy recovery in a sustainable manner, the Group understands that the world, in particular the business sector needs to come together to overcome these challenges as one by rethinking and refining the operational models through ESG lens, thereby creating an innovative and environmentally friendly place for future generations.

In FY2021, we further reframed our focus areas when aligning ourselves with the United Nations Sustainable Development Goals. Allocating more focus and resources on the areas that mostly related to the Group's business and the latest operating environment, we are dedicated to the contribution towards SDG 3 in striving for a healthy future that cares for the well-being of all. In the meantime, in view of the national pledge of "30.60 carbon target", we also established emissions-related and energy efficiency-related targets, of which the progress are being monitored and reviewed closely by our top management in a regular manner.

Looking forward to the rest of 2022 and the challenges ahead, as the world stepping into the new normal it, will make the society more vitalised to embrace the economic recovery, and also provide a golden opportunity to the Group, the industry, and even the world to build a more sustainable future. Reckoning that every change, no matter large or small, can induce a difference, the Group endeavours to keeping our long-standing commitment to doing business responsibly and striving for improvement, as we are convinced that there is always more to do regarding corporate and industry-wise sustainability.

## III. STAKEHOLDER ENGAGEMENT

Reckoning that stakeholder opinions benefit the Group in shaping and implementing its sustainability strategy with more focus put on material risks and opportunities, the Group values the diverse perspectives of both internal and external stakeholders, and strive to maintain a sound relationship with all stakeholders through ongoing dialogues. It is through open and transparent communication with its stakeholders that the Group can strive to advance the well-being of the society, to conserve the resources of the planet and make for the long-term success of the business.

### KEY STAKEHOLDERS



Government and regulatory authorities



Shareholders



Employees



Customers



Suppliers



General public



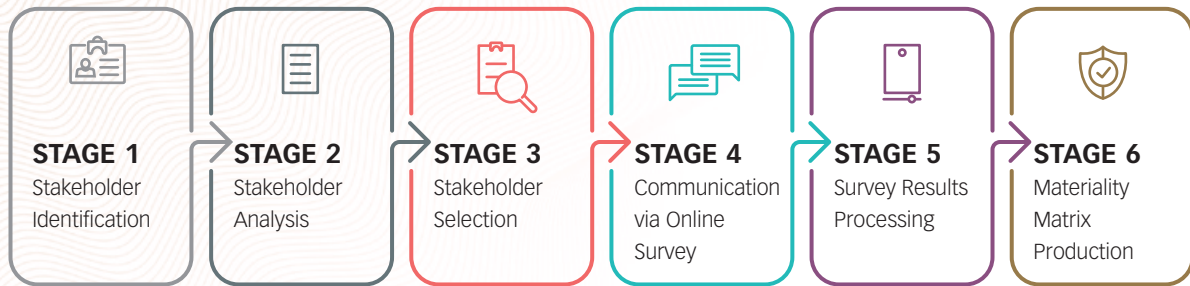
## Environmental, Social and Governance Report

The Group highly values the feedback from its stakeholders and takes initiative to build a trustful and supporting relationship with them through multiple communication channels as listed below.

<b>Stakeholders</b> 	<b>Expectations and Concerns</b> 	<b>Communication Channels</b> 
<b>Government and regulatory authorities</b>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Business sustainability</li> <li>• Proper tax payment</li> </ul>	<ul style="list-style-type: none"> <li>• Supervision on the compliance with local laws and regulations</li> <li>• Fulfilment of statutory reporting requirements</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Return on investments</li> <li>• Corporate governance</li> <li>• Business compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Regular reports and announcements</li> <li>• General meetings</li> <li>• Corporate website</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Employees' remuneration and benefits</li> <li>• Career development</li> <li>• Health and safety in the workplace</li> </ul>	<ul style="list-style-type: none"> <li>• Performance appraisals</li> <li>• Regular meetings and training</li> <li>• Emails, notice boards, hotline, team building activities with the management</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Production and service quality assurance</li> <li>• Protection of customers' rights</li> </ul>	<ul style="list-style-type: none"> <li>• Customers' satisfaction surveys</li> <li>• Face-to-face meetings and onsite visits</li> <li>• Customer service hotline and emails</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Fair and open procurement</li> <li>• Win-win cooperation</li> <li>• Protection of intellectual property rights</li> </ul>	<ul style="list-style-type: none"> <li>• Open tender for key suppliers</li> <li>• Contracts and agreements</li> <li>• Suppliers' satisfaction assessment</li> <li>• Face-to-face meetings and onsite visits</li> </ul>
<b>General public</b>	<ul style="list-style-type: none"> <li>• Involvement in communities</li> <li>• Business ethics</li> <li>• Environmental protection awareness</li> </ul>	<ul style="list-style-type: none"> <li>• Media conferences and responses to enquiries</li> <li>• Public welfare activities</li> <li>• Corporate website</li> </ul>

## Environmental, Social and Governance Report

## Materiality Assessment



As ESG risks and opportunities for companies vary across industries and depend on different corporate background, perspectives and business models, the Group undertakes annual review in identifying and understanding its stakeholders' main concerns and material interests for the ESG report. In FY2021, the Group engaged its stakeholders to conduct a materiality assessment survey initiated by a third-party agency in order to enhance the credibility and objectivity of evaluation. Selected stakeholders were invited to express their concerns on a universe of sustainability topics via an online survey to pinpoint the ESG issues that were identified as material to the Group's business development and strategies during the year. Through a systematic materiality assessment to prioritise the topics from the entire inventory of ESG issuers, the Group eventually formulated a materiality assessment matrix below, which could reflect the real concern of its stakeholders on ESG matters and facilitate the Group to develop actions plans for more effective ESG management. Among the stakeholders participated in the survey, some of them also participated last year so the Group can review any significant change in view. There are also new stakeholders provided feedbacks, improving the depth of the stakeholder engagement process.

## Materiality Assessment Sheet

- Energy Management
- Diversity & Equal Opportunity
- Product Quality
- Management of the Legal & Regulatory Environment (regulation-compliance management)
- Critical Incident Risk Responsiveness

- Customer Privacy and Data Security
- Employee Remuneration and Benefits
- Business Ethics & Anti-corruption

**Areas that are identified to be relatively more important to external stakeholders only**

**Areas that are identified to be vital**

**Areas that are identified to be relatively insignificant**

**Areas that are identified to be relatively more important to internal stakeholders only**

- GHG Emissions
- Air Pollution
- Energy Management
- Water & Wastewater Management
- Solid Waste Stewardship
- Materials Management
- Land Use, Ecosystem and Biodiversity
- Climate Change Mitigation & Adaptation
- Packaging Material Management
- Renewable and Clean Energy
- Preventing Child and Force Labour
- Green Procurement
- Communication and Engagement with Suppliers
- Environmental Risk (e.g. pollution) Management of Supply Chain
- Social Risk (e.g. human rights or corruption) Management of Supply Chain
- Supply Chain Materials Sourcing & Efficiency

- Health and Safety Relating to Products/Services
- Customers Welfare
- Marketing and Promotion
- Product Quality
- Labelling Relating to Products/Services
- Product Design & Lifecycle Management
- Access & Affordability
- Community Engagement
- Participation in Philanthropy
- Cultivation of Local Employment
- Local Environmental Protection
- Support of Local Economic Development
- Systemic Risk Management (e.g. Financial Crisis)

- Occupational Health and Safety
- Employee Development and Training
- Labour Practices
- Intellectual Property Rights
- Internal Communication & Grievance Mechanism
- Business Model Adaptation and Resilience to Environmental, Social, Political and Economic Risks and Opportunities

## Environmental, Social and Governance Report

Given the materiality analysis matrix, the Group identified three ESG issues that were of highest importance to both the Group and its stakeholders during the year under review. In the particular, “Customer Privacy and Data Security”, “Employee Remuneration and Benefits” and “Business Ethics and Anti-corruption” topped the list of which stakeholders were most concerned. The result, which facilitates the Group to pinpoint the most concerned ESG issues, was submitted and reviewed by the Board, so as to guide the Group’s sustainability strategy development in the future.

### Sustainable Development Goals

To further strengthen the internal corporate sustainability management and elevate the objectives set by the Group to the level of global sustainable development, the Group carries out an evaluation on its stakeholders’ opinions on corporate sustainability stewardship, especially the United Nations Sustainable Development Goals (“SDGs”) to which its stakeholders pay particular attention.

Living and doing business in a globalised world, the Group understands that the prosperity for people and the planet are interconnected. The endeavours in the linking analysis allows the Group to align its sustainability targets with the globally-agreed goals, which articulate the world’s most pressing environmental, social and economic issues of which the Group is encouraged to take into account. Also, it helps to solidify a common language for reporting the Group’s business impacts on climate change and social welfare, and involving the employees in creating the sustainability culture in the Group.

To this end, the Group engaged its stakeholders in FY2021 in determining the SDGs that were most relevant to the Group’s ESG strategies going forward. The stakeholder engagement result on SDGs has been reviewed by the Board. “Target 3: Good Health and Well-Being for People” is identified as the most concerned goals for the Group’s sustainability development. The few important goals with similar weight include “Target 2: Zero Hunger”, “Target 4: Quality Education”, “Target 6: Clean Water and Sanitation” and “Target 7: Affordable and Clean Energy”. “Target 8: Decent Work and Economic Growth” and “Target 11: Sustainable Cities and Communities” are considered important from external stakeholder. Under the latest operating environment, the Group has refined the SDG goals alignments balancing the availability of resources, which will be presented in the coming paragraphs.



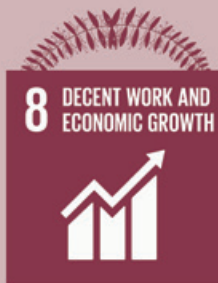
**Ensure healthy lives and promote well-being for all at all ages**

### Caring

As part of the Group’s business, the funeral, cemetery and crematoria sectors can be both emotionally and physically challenging for workers. Sticking to the Group’s mission to support those family members and friends at the pivotal time by delivering outstanding services, the Group understands that its staff’s pressure should not be neglected. As such, apart from implementing strict occupational health and safety measures in the protection of the workers’ physical health, mental health has also been taken care of by the Group, which has endeavoured to be sensitive to employees’ emotional needs and providing psychological counselling when necessary.

In FY2021, the threat of COVID-19 persisted, and more dormant variants were discovered. The pandemic continued to bring serious threat on people’s livelihoods and their health. In the Mainland China and Hong Kong, the amount of people having fully vaccinated significantly increased in 2021. To protect the health and well-being of its employees, the Group has implemented a series of epidemic prevention and control measures. All office operations are suspended when the office is classified as high risk. The Group also allows flexible working arrangement such as remote working to reduce the risk of cross infection. For the cremation and funeral service business, specific measures were implemented with clear instructions on how to handle the bodies of COVID-19 patients, so as to minimise the risk of staff getting infected. More detailed measures are disclosed in the section B.2 Health and Safety.

## Environmental, Social and Governance Report



Promote inclusive and sustainable economic growth, full and productive employment and decent work for all

### *Supporting*

Inequality is rising globally and there are insufficient jobs to keep up with a growing labour force nowadays. While the COVID-19 may contribute to the work-life balance through reduced business travel and remote working, it significantly exacerbated existing work inequalities, especially for the vulnerable groups.

To this end, not only has the Group been committed to protecting labour rights and promoting a safe and secure working environment for all workers, it has also established policies to safeguard human rights and labour standards along its supply chain. Moreover, the Group is keen on supporting the social well-being of local communities where it operates. Being enthusiastic in sponsoring local infrastructure development projects, the Group actively creates job opportunities in the local community.



Make cities and human settlements inclusive, safe, resilient and sustainable

### *Managing*

As a corporate citizen, the Group is aware of its responsibility in contributing to the creation of safe, resilient and sustainable human settlements. In responses to the biggest urban challenges, the Group is committed to carrying out its operation in a responsible manner. In particular, the Group is devoted to enhancing its environmental sustainability through stringent management of its environmental impacts throughout its value chain. On top of carefully monitoring and controlling its emissions, which is considered to be the most significant environmental footprint of the Group's business activities, the Group works on the integration of the concept of "Green funeral" or "Environmentally-friendly grave sweeping", and actively explores the opportunities to enhance transparency and traceability in raw material sourcing, particularly for the materials which may engender positive biodiversity and environmental impacts.

## Stakeholders Feedback

As the Group strives for excellence, we welcome 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 their views and contact us at [ir@8082.com.hk](mailto:ir@8082.com.hk).

## Environmental, Social and Governance Report

### IV. ENVIRONMENTAL SUSTAINABILITY

Since business operations are highly dependent on a sound and healthy environment, the Group endeavours to better managing its climate-related issues and take effective steps to preserve natural resources. As one of the active companies in the media entertainment industry and a death-care service provider, the Group's significant environmental impacts mainly come from the operations of offices and the crematory.

Striving to minimise the potential environmental impact during its daily operations in various aspects, the Group stringently controls its emissions and consumption of resources, and complies with relevant environmental laws and regulations in Hong Kong and the PRC, including but not limited to:

- Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法);
- Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法);
- Law of the People's Republic of China on Prevention and Control of Water Pollution (中華人民共和國水污染防治法);
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法);
- Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法); and
- Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong).

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources, as well as climate-related management in FY2021.

## Environmental, Social and Governance Report

### A.1 Emissions

In FY2021, the major emissions discharged from the Group were the air and greenhouse gas (“GHG”) emissions from cremation, exhaust of vehicles and solid wastes. The Group strictly complied with relevant laws and regulations in the operating regions, and found no disregard of any influential laws regarding the air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, and noise that have a significant impact on the Group.

In FY2021, air pollutants from the Group including sulphur oxides (“SO<sub>x</sub>”), nitrogen oxides (“NO<sub>x</sub>”) and particulate matter (“PM”) were mainly generated from vehicles for transportation, machinery for cremation and other business operations. In FY2021, the GHG emissions from the Group were primarily due to the combustion of fossil fuels and the consumption of electricity in its business operations. The Group’s total GHG emissions amounted to 425.3 tonnes, with an intensity of 5.3 tonnes CO<sub>2</sub>e/employee. In addition, the Group generated a total of 2,396.3 kg of non-hazardous solid waste in FY2021, while no significant amount of hazardous waste was recorded during the year under review. The Group’s total emissions in FY2021 are summarised in Table E1 below.

**Table E1 – The Group’s Total Emissions by Category in FY2021<sup>8</sup>**

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2021	Intensity <sup>1</sup> (Unit/employee) in FY2021	Amount in FY2020	Intensity <sup>1</sup> (Unit/employee) in FY2020
Air Emissions <sup>2</sup>	SO <sub>x</sub>	Kg	90.6	1.1	85.7	1.5
	NO <sub>x</sub>	Kg	799.8	10.0	559.4	9.8
	PM	Kg	131.8	1.6	102.9	1.8
GHG Emissions	Scope 1 <sup>3</sup> (Direct Emissions)	Tonnes of CO <sub>2</sub> e	334.0	4.2	343.7	6.0
	Scope 2 <sup>4</sup> (Energy Indirect Emissions)	Tonnes of CO <sub>2</sub> e	92.1	1.2	93.5	1.6
	Scope 3 <sup>5</sup> (Other Indirect Emissions)	Tonnes of CO <sub>2</sub> e	0.1	9.2 x 10 <sup>-4</sup>	0.2	0.4 x 10 <sup>-2</sup>
	GHG removal from planted trees	Tonnes of CO <sub>2</sub> e	0.9	–	–	–
	Total (Scope 1 & 2 & 3)	Tonnes of CO <sub>2</sub> e	425.3	5.3	437.4	7.7
Non-hazardous Waste	Solid Wastes <sup>6</sup>	Kg	2,396.3	30.0	2,235.4	39.2
	Recycled Wastes <sup>7</sup>	Kg	137.6	1.7	832.1	14.6
	Wastewater	m <sup>3</sup>	10.0	0.1	–	–

- Intensity was calculated by dividing the amount of emissions the Group has generated in FY2021 by the number of employees in FY2021 which was 80, while intensity of FY2020 was extracted from the ESG report of FY2020;
- The Group’s air emissions included only the air pollutants arise from the mobile combustion of fossil fuels from vehicles for transportation and the stationary combustion from equipment operations during funeral services;
- The Group’s Scope 1 (Direct Emissions) included only in the consumption of fossil fuels in motor vehicles and stationary consumption on-site during operations, as well as the GHG removals from newly planted trees;
- The Group’s Scope 2 (Energy Indirect Emissions) included only electricity consumption;
- The Group’s Scope 3 (Other Indirect Emissions) included other indirect emissions from paper waste disposed at landfills and electricity used for processing sewage by government departments;
- 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 in FY2020, on which the total amount of waste was calculated;
- For the recycling of solid waste, the Group took into consideration all recyclable materials made by paper, plastic and aluminium;
- 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, GHG Protocol Corporate Accounting and Reporting Standard and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

## Environmental, Social and Governance Report

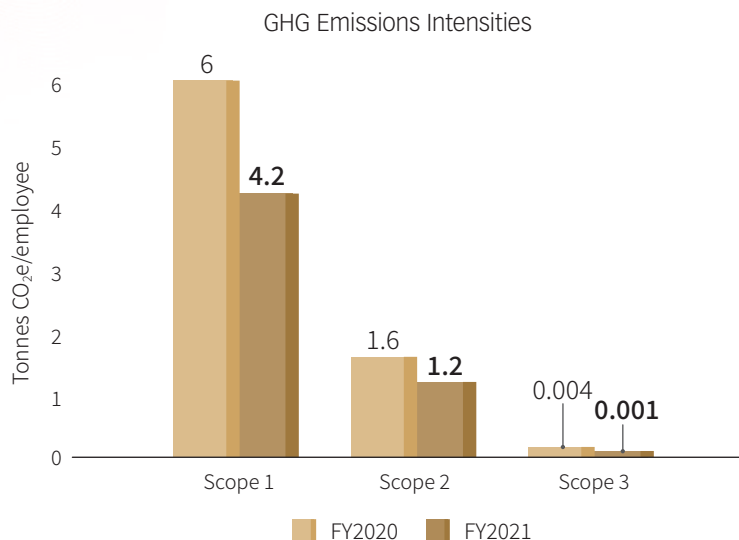
### Air and GHG Emissions

In FY2021, air emissions were primarily generated from the fossil fuel consumed for transportation and from the incineration process of the cremation and funeral services business of the Group. As compared to FY2020, the air emissions intensities decreased slightly by 24.5% and 8.5% for SO<sub>x</sub> and PM respectively, mainly due to the decline in gasoline consumption, as well as the more detailed engine size classification during calculation.

As air pollution has long been a critical environmental issue in China, the Group is committed to controlling its air emissions in compliance with national standards including 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》).

In the meantime, the GHG emission pattern of FY2021 remained similar to that of FY2020, with Scope 1 (Direct emission) that stemmed from the use of fossil fuels dominating (78.3%). The total GHG emission in FY2021 descended by around 2.8% as compared to the previous year, with all Scope 1, Scope 2 and Scope 3 emission plummeting by approximately 3.1%, 1.5% and 63.1% respectively. The dramatic improvement in Scope 3 emissions was mainly attributed to the continuous effort of the Group in resources conservation as well as the elimination of unnecessary air travel.

#### Graph showing GHG emissions trend in FY2020 and FY2021



#### Targets and actions

The Group strives to reduce its air emissions and GHG emissions intensities in FY2022 by 10% taking FY2021 as the baseline year. To achieve its goals, the Group is committed to further mitigate its air and GHG emissions through aligning its operating practices with the leading practices recommended by internationally recognised standards, such as the adoption of energy-efficient technologies, electricity-saving measures, and eco-friendly buses.

Since 2018, each cremator of the Group has been equipped with advanced device to treat the exhaust gas from incineration, which ensures the Group's compliance with the regulatory requirements, including Guangdong Province Cremator Exhaust Emission Control Work Plan (廣東省殯儀館火化機尾氣排放治理工作方案).

In the meantime, the Group is dedicated to promoting the practice of environmentally friendly grave sweeping. The burning of paper supplies, joss sticks and firecrackers are prohibited in funeral parlour and cemeteries, while other offerings such as flowers are provided to replace the traditional paper offerings.

Detailed measures taken by the Group to reduce its GHG emissions through lowering electricity and energy consumption are described further in A.2. Use of Resources of this report.



## Environmental, Social and Governance Report

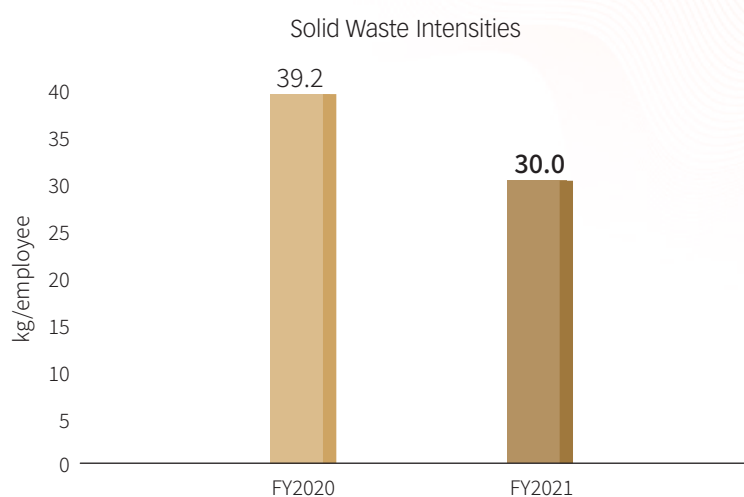
### Non-hazardous Waste

#### Solid waste

During the year under review, municipal solid waste and sewage were generated from the Group's daily operations. The solid waste such as wastepaper, packages and disposed files are collected, sorted, and transported to a local recycling centre for further treatment by a third-party professional organisation. Meanwhile, part of the food wastes is collected and used as fertilisers in the cemetery, while non-recyclable solid wastes are transported to the waste disposal plant.

In FY2021, the Group generated 2,396.3 kg of solid waste, which intensity declined by 23.6% as compared to that in FY2020, principally due to the concerted efforts of the Group's staff in minimising the generation of solid waste in daily operations.

**Graph showing the solid waste intensities in FY2020 and FY2021**



In response to the call of the central government and the municipal policies advocating waste classification across the country, the Group continues its efforts in promoting recycling in its workplace. In FY2021, the Group recycled a total of 137.6 kg waste, which mainly constituted of metal and paper waste.

#### Wastewater

In FY2021, the Group generated around 10 m<sup>3</sup> of municipal wastewater from its daily operation which is considered not a significant environmental impact as compared to the Group's other discharges. The wastewater generated from the Group's offices is handled by the property management and directly discharged into the municipal sewer line, while the wastewater generated in the funeral services is treated as irrigation water for planting in the cemetery.

#### Targets and actions

The Group strives to reduce its solid waste disposed per employee in FY2022 by 10% taking FY2021 as the baseline year. In pursuit of its aspiration, the Group is committed to continue its efforts in the effective implementation of waste management policies and educating its employees to lower waste generation in daily operations.

The Group strives to maintain its wastewater discharged per employee in FY2022 as the same with that of FY2021. Although the wastewater discharged is not considered significant, the Group still cares about the control of its discharges. Since the amount of wastewater generated highly depends on the amount of freshwater used, the Group adopts specific measures to control and reduce water consumption in offices and the funeral parlour, which are further described in A.2 Use of Resources of this report.

## Environmental, Social and Governance Report

### A.2 Use of Resources

The use of natural resources has invariably been a core issue to the Group in seeking environmental sustainability. During the year under review, the Group abided by the applicable laws and regulations with regard to the use of resources, including but not limited to Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》). To effectively improve energy and resource use efficiency, the Group has assessed and made experiments on various approaches and practices in energy and resource conservation, striving to find the best option to minimise its impacts on the environment to a large extent. In FY2021, the major resources consumed by the Group were electricity, water, paper, diesel and gasoline.

**Table E2 – The Group's Total Use of Resources by Category in FY2021 and FY2020**

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2021	Intensity <sup>1</sup> (Unit/employee) in FY2021	Amount in FY2020	Intensity <sup>1</sup> (Unit/employee) in FY2020
Energy	Electricity	kWh	151,002	1,887.5	179,787	3,154.2
	Diesel	L	91,996	1,150.0	86,106	1,510.6
	Gasoline	L	39,840	498.0	47,960	841.4
	<b>Total</b>	<b>kWh'000</b>	<b>1,521.8</b>	<b>19.0</b>	<b>1,566.2</b>	<b>27.5</b>
Water	Water <sup>2</sup>	m <sup>3</sup>	–	–	–	–
Paper	Paper	kg	15	0.2	49.1	0.9
Packaging materials	Paper	kg	1000	12.5	500	8.8

1. Intensity was calculated by dividing the amount of workforce of the Group in FY2021, which was 80, while intensity of FY2020 was extracted from the ESG report of FY2020; and
2. When compared with other resources, water was not as significant as other energy resources to the Group's business operations considering the materiality of impacts. Meanwhile, given the business nature, the water used for cremation and funeral business was mainly withdrawn from springs, while the water stewardship in offices was directly handled by the management of the property buildings where the Group's offices were located. Therefore, while the estimation of water consumption in offices of the Group was partly available, the Group believed that instead of providing an incomplete picture of water consumption of the Group, an accurate measurement with convincing techniques that covers all business activities is more conducive to the usefulness of the data for decision making. The Group will keep exploring new approaches in its measurement of water consumption and commit to refine its water management and monitoring in the future.

#### Electricity

In FY2021, the total electricity consumption of the Group was 151,002 kWh, which dropped remarkably by around 16% as compared to FY2020. To further its environmental stewardship, the Group aspires to lower its electricity consumed per employee in FY2022 by 10% taking FY2021 as the baseline.

For the sake of reducing the Group's electricity consumption, the Group establishes the electricity-saving principle throughout the organisation and encourages the innovation and adoption of more environmentally friendly technologies in its business operations. For instance, employees are encouraged to make full use of the daylight and natural wind in the workplace so as to lower its electricity consumption. In addition, the Group maintains its electrical appliances including refrigerators and air-conditioners on a regular basis, in order to ensure the high operational efficiency.

## Environmental, Social and Governance Report

### ***Other energy resources***

In FY2021, the Group's consumption of other energy resources primarily came from the burning of fossil fuels for transportation and operations in its funeral services. During the year under review, the Group consumed 91,996 L of diesel and 39,840 L of gasoline, which intensities lowered by 23.9% and 40.8% respectively. Witnessing the outstanding performance in fuels consumption reduction, which is primarily due to the strict compliance to the Groups resources conversation policies, the Group is dedicated to further reducing its fossil fuels consumed per employee in FY2022 by 10% taking the figures in FY2021 as the baseline.

Working hard to accomplish its targets, the Group is committed to the exploration of innovative solutions in upgrading operations from an energy efficiency perspective, and seeking any opportunities to have significant improvement in transition towards more eco-friendly energy alternatives. In the future, the Group will continue its "Fuel-saving rewards" as an encouragement for operating employee to conserve resources.

### ***Water***

The Group did not face any problem in sourcing water fit for its purpose in FY2021. During the year under review, the water resource was mainly consumed for commercial use by the Group's staff during the working hours in the offices, while for cremation and funeral business operations, the Group withdrew the water mainly from springs.

Due to the difficulty in accurately measuring the amount of water withdrawn from the natural springs, the Group is not able to set a specific quantitative target for water consumption reduction due to the lack of precise water consumption data. Nevertheless, the Group keeps on focusing on the education about water conservation among its employees, and is committed to enhancing its water utilisation efficiency by requiring all of its staff to adhere to the water saving protocol and promoting a "water saving" culture in the Group.

### ***Paper***

In FY2021, paper was mainly used in the Group's offices for administrative purposes, with a significant decline of 69.5%. The Group dedicates itself to embracing the management approach of "Green Office", encouraging the use of electronic means for communication and data storage, while prioritising the use of recycled paper and setting double-sided printing on all printers when printing is necessary.

Meanwhile, the burning of traditional offerings such as paper money always remains a top concern for the Group when managing resource consumption. In view of this, the Group actively promotes environmentally friendly grave sweeping and encourages people to use flower and other recyclable offerings.

### ***Packaging materials***

Due to the nature of the Group's funeral service business, the packaging materials used are mainly coffin and body bags. Since the order of coffin and body bags is normally on an on-demand basis, the Group implemented strict policies in managing the procurement and use of materials, thereby eliminating any risks of excessive order or waste of materials. Given that, the demand on the service provided by the Group soared, which induced an increase in packaging material of 100%.

## Environmental, Social and Governance Report

### A.3 The Environment and Natural Resources

As an enterprise with two different business segments, namely the media and entertainment business, and the cremation and funeral services business, the Group understands that the impacts of its distinct business activities on the natural environment and natural resources need to be considered separately. Due to the anti-epidemic control measures implemented in various operating regions, the Group's media and entertainment business segment was mostly suspended with only a few business activities being carried out during the year under review. In this regard, the environmental impacts of the media and entertainment business were minimal. As the Group's cremation and funeral services business was under stable operations, the relatively significant environmental impacts of the Group in FY2021 are summarised into the overall air and GHG emissions arising from the consumption of fossil fuels and the incineration operations from the funeral services.

Committed to conducting its business in a sustainable manner and providing environmentally conscious products and services, the Group strives to work hand-in-hand with its stakeholders to build a more sustainable future in joint efforts. In addition to restricting the combustion of traditional offerings including paper money, candles and firecrackers within the Group's jurisdiction to minimise air pollution, the Group actively promotes alternative ways for grave sweeping and remembrance of the deceased. For instance, flower offerings and online worship are promoted as a replacement of the traditional methods, while family members are recommended to use environmentally friendly body bags instead of coffins.

Committed to developing its business according to the "Going Green and Low Carbon" principle and gearing up to incorporate the concept into operations, the Group monitors the consumption of natural resources in its office operations, which has long been the cornerstone of the fulfilment of the Group's environmental responsibilities. Through the implementation of effective measures and the concerted efforts of all of its employees, the Group achieved a remarkable 16.4% drop in solid waste generation per employee in its Hong Kong office in FY2021, demonstrating its commitment to environmental protection through waste reduction, recycling, and energy conservation as acknowledge by the Hong Kong Green Organisation Certification (HKGOC).

### A.4 Climate change

Climate change is one of the most significant challenges impacting the prosperity of the society and the economy nowadays. It is a source of business risk and can also be a source of opportunity for the Group. Aligning its business activities with international best practices and supporting the just transition to a national ambitious goal of net zero economy by 2060, the Group pays attention to assessing and managing climate-related impact regularly.

The Group believes that climate change is not going to impose significant risk to its media and entertainment business, since this business segment mainly focuses on the investment and management of media and entertainment projects which does not rely on specific fixed assets in specific locations. Nevertheless, extreme weather events may have some impact on the schedule of the Group's invested projects of concerts, exhibitions, movies and dramas, which delay of postponement may affect the short-term financial performance of the Group. Yet, since the Group has solid track record in investment and management of contingencies of media and entertainment projects, the Group possess an experienced team to coordinate with its business partners for contingency plans under extreme weather, which the Group believes is sufficient in minimising any potential risks.

Meanwhile, the Group also operates the funeral services in Huaiji County, a county of western Guangdong province of the PRC. Due to characteristics of Huaiji's geographical location, currently it is not suffering from extreme temperatures throughout the year not under the threat of sea level rise, which can be supported by the fact that the Group's operating site was not affected by extreme weather conditions in FY2021. Hence, the Group believes that the funeral services business is subject of low risk of climate change.

## V. SOCIAL SUSTAINABILITY

### EMPLOYMENT AND LABOUR PRACTICES

As every character on stage is indispensable, the role of every employee is essential to the Group's long-term success. Recognising that the capability, adaptability and diversity of talents are vital in achieving the ambitions for the Group's business, the Group strives to provide a safe and sound working environment for all employees equally, while working to respect and care about its employees' well-being and professional development.

#### B.1 Employment

The Group views talents as one of its most valuable assets and the key driving factor for the success and sustainable development of the Group. As of the end of FY2021, there were a total of 76 full-time and 3 part-time employees and one employee from other employment type working for the Group, with 50 male workers and 30 female workers (62.5%: 37.5%). More detail can be found in Table S3 below.

Graph showing the age and gender distribution of the Group's staff in FY2021

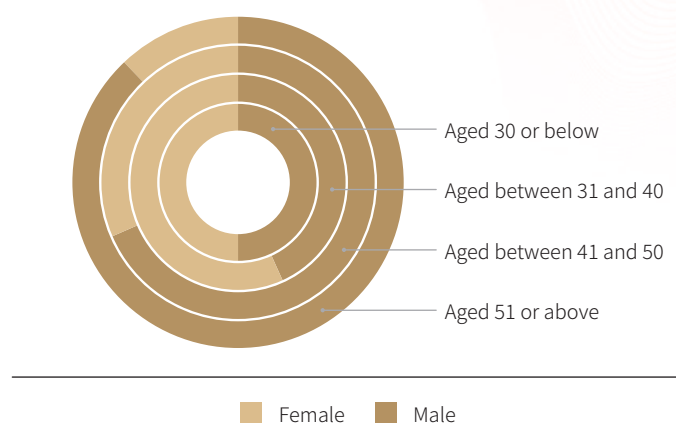


Table S3. Number of Employees by Age Group, Gender, Employment Type, Position Type, Geographical Locations of The Group in FY2021<sup>1</sup>

Unit: Number of employees		Age group				Total
Gender	Aged 30 or below	Aged between 31 and 40	Aged between 41 and 50	Aged 51 or above		
Male	8	9	18	15	50	
Female	8	12	8	2	30	
<b>Total</b>	<b>16</b>	<b>21</b>	<b>26</b>	<b>17</b>	<b>80</b>	

Unit: Number of employees		Position			Total
Gender	General staff	Senior management	Director and management		
Male	26	12	12	50	
Female	24	6	0	30	
<b>Total</b>	<b>50</b>	<b>18</b>	<b>12</b>	<b>80</b>	

Employment type			
Full time	Part time	Others	Total
76	3	1	80

## Environmental, Social and Governance Report

Geographical location	
Locations	Number of employees
PRC	39
Hong Kong	40
Taiwan	1
Total:	80

- The employment data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. The data covered employees engaged in a direct employment relationship with the Group according to relevant local laws and workers whose work and/or workplace was controlled by the Group. The methodology adopted for reporting on employment data set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

### *Law compliance*

In FY2021, the Group abided by the applicable laws and regulations in Hong Kong and the PRC that were material to the Group's business, including but not limited to:

- Employment Ordinance (Cap. 57 of the Laws of Hong Kong);
- Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong);
- Labour Law of the People's Republic of China (中華人民共和國勞動法); and
- Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法).

To ensure that relevant internal policies of the Group are consistently in line with the latest laws and regulations, the Group's Human Resources Department is responsible for the review and update of the 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 launches a variety of initiatives in recruitment, such as posting job advertisements on websites and partnering with headhunting companies. The Group believes that its continuous efforts in standardising and advancing its recruitment procedures tremendously help attract the most suitable and outstanding personnel to join the Group.

### *Compensation and dismissal*

According to the Group's Assessment Management System (《考核管理制度》), compensation reviews and salary adjustment are regularly performed by the Group with reference to the overall market conditions, inflation rate, profitability of the Group and employee's past performance, to motivate, reward, and recognise the employees who have made significant contributions to the Group.

## Environmental, Social and Governance Report

The Group strictly prohibits any kind of unfair or illegitimate dismissals. For those who have poor working performance, the Group would warn verbally before issuing a warning letter. For those who remain untamed despite repetitively making the same mistakes, the Group will dismiss the person according to its internal policies and applicable regulations. In FY2021, the Group's turnover rate was 10.0%, which detailed breakdown can be found in Table S4 below.

**Table S4. Employee Turnover Rate by Age Group, Gender and Geographical Locations in FY2021<sup>1</sup>**

Gender	Age group				Total
	Aged 30 or below	Aged between 31 and 40	Aged between 41 and 50	Aged 51 or above	
Male	1	0	0	0	1
Employee turnover rate (%)	12.5	0.0	0.0	0.0	2.0
Female	7	0	0	0	7
Employee turnover rate (%)	87.5	0.0	0.0	0.0	23.3
Total	50	0	0	0	10
Total employee turnover rate (%)	3.1	0.0	0.0	0.0	0.1

Locations	Geographical locations	
	Employee turnover	Employee turnover rate
PRC	0	0.0
Hong Kong	8	20.0
Taiwan	0	0.0

- The turnover data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. Turnover rate was calculated by dividing the number of employees who resigned in FY2021 by the number of employees in FY2021. The methodology adopted for reporting on turnover data set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

#### *Working hours and rest period*

In accordance with the Legal Protection of the Rights and Benefits of the Peasant Workers (勞動保障監察條例) and the Rules of the State Council on Working Hours of Workers and Staff Members (國務院關於職工工作時間的規定), appropriate working hours and rest periods are arranged for the employees. The Attendance and Leave System (《考勤及請休假制度》) is set up by the Group to monitor and manage the working hours of its employees in accordance with relevant laws and regulations.

In addition to the basic paid annual leave and statutory holidays stipulated by the local governments, employees are also entitled to additional leave benefits such as marriage leave, paternity leave and compassionate leave.

#### *Equal-opportunity and anti-discrimination*

Inclusion and diversity in the workplace are fundamental to the Group seeking increased innovation, better problem-solving frameworks and higher engagement of employees. Dedicated to creating a culture that embraces equality, inclusion and diversity across all business divisions, the Group, as an equal opportunity employer, strives to promote anti-discrimination and equal opportunity in all human resources and employment decisions.

## Environmental, Social and Governance Report

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.



Having zero tolerance to any workplace discrimination, harassment or victimisation, the Group establishes internal policies promoting equal opportunities in accordance with relevant laws and regulations, including the Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong), the Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong) and the Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong).

To provide special care for female employees who are novice mothers, the Group has joined Say Yes to Breastfeeding programme organised by UNICEF Hong Kong and actively supports and promotes a breastfeeding friendly workplace.

Employees are encouraged to voice out and report any discrimination or harassment during work. Disciplinary actions would be taken against the relevant employee if any non-compliance or breach of legislation related to the equal opportunities policies is substantiated.

### *Benefits and welfare*

The Group believes that employees who feel secure and upbeat can perform at their best, be resilient in times of change and can focus on greater customer and community outcomes. As such, the Group has been working on creating a harmonious working environment with comprehensive benefits for its employees.

Focusing on both the physical and psychological well-being of its staff, the Group keens on organising a series of activities to promote a healthy work-life balanced lifestyle. In FY2021, due to the social distancing restriction amid the pandemic, the Group only arranged limited activities, such as Mid-autumn Festival and Christmas meals were organised to enhance the communication between staff aiming to create a stronger bond between them as well as sharing the festive happiness with all.

During the year under review, 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 sound and safe working environment, the Group's health and safety policies are in line with the applicable laws and regulations in Hong Kong and the PRC, including the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), Law of the People's Republic of China 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 Employee Health and Safety Management System (職工健康安全管理制度) is established for regulating the occupational health and safety ("OHS") and labour practices during operations, which are the foundation to minimise the risk of accidents in the workplace and enhance the employees' health and safety awareness.

In the funeral parlour, the Group sets targets of safety operations and held multiple safety meetings to strengthen the awareness of occupational safety. In FY2021, the Group performed inspections regularly to ensure that all protection equipment and first-aid medications were well-equipped and under strict management.

Designated personnel are responsible for the daily cleaning of the working area to ensure a clean and hygienic working environment, while professional engineers are responsible for the regular inspection and maintenance of the electrical equipment and power lines to enhance the work safety. Suitable personal protective equipment such as protective garments, masks and gloves are also provided to employees.

In addition to the development of operating manual to safeguard its employees from accidents caused by improper operations, OHS related training is also arranged for staff at least once per quarter, including emergency drills, disinfection protection training, operation training and policy interpretation. The Group believes that the provision of well-designed training can enhance the safety awareness of employees while improving employees' ability to deal with emergency situations.



The above occupational health and safety policies apply to all employees, which implementation is monitored by the Administrative Department. Monthly safety inspections are conducted by department heads with the supervision of the Administrative Department, while any spotted potential health hazards shall be reported to the General Manager in a timely manner.

Striving to achieve secure working environment, the Group has made an effort in implementing its internal safety policies. In the past three years including the reporting year, the Group recorded zero work-related fatalities. Meanwhile, there were zero work-related injuries recorded with zero workday lost in FY2021.

## Environmental, Social and Governance Report

### *Response to COVID-19*

In 2021, as the pandemic is improving businesses are gradually getting resumed with people and governments still being vigilant regarding the prevention and control of the spread of virus. In response to the call of the central government in combating the pandemic with concerted efforts, the Group has set up several internal policies in line with the precautionary measures announced by the governments in this post-pandemic era.

### *Office*

In FY2021, as most of the Group's activities in the media and entertainment business were suspended, the Group limited the number of office operations. Implementing flexible working arrangement, employees were working on shift and allowed to work from home, which was believed to be an effective way to lower the risk of virus transmission.

### *Cremation and Funeral Service Business*

In view of its responsibility in safeguarding the health of its staff and the public, the Group formulates strict and effective epidemic prevention and control measures under the guiding principle of "Early Detection, Early Reporting, Early Isolation, Early Delivery" (早發現、早報告、早隔離、早送診). Specifically, the Group implemented the Emergency Plan for Responding to Epidemic (《應對新型冠狀病毒感染肺炎應急預案》), and performed multiple drills for the handling of bodies of COVID-19 patients with reference to the Principles of Disposal of Remains of Class A Infectious Diseases (《甲級傳染病遺體處置原則》).

To further control the safety of the funeral parlour, strict measures were implemented at the funeral homes, including:

- Limiting the number of family members allowed at the funeral;
- Frequent sterilisation of the funeral parlour;
- Strict onsite management including guidance, diversion and evacuation of people;
- Body temperature check of everyone before entering the parlour; and
- Provision of valet services and alternative ways for safe grave sweeping.

### **B.3 Development and Training**

The Group sees training as a strategic investment and a good opportunity in exploring the unlimited potential of its talented employees. Not only can training improve the overall quality of employees and enhance production efficiency, but it can foster an excellent corporate culture and make for a good corporate image as well.

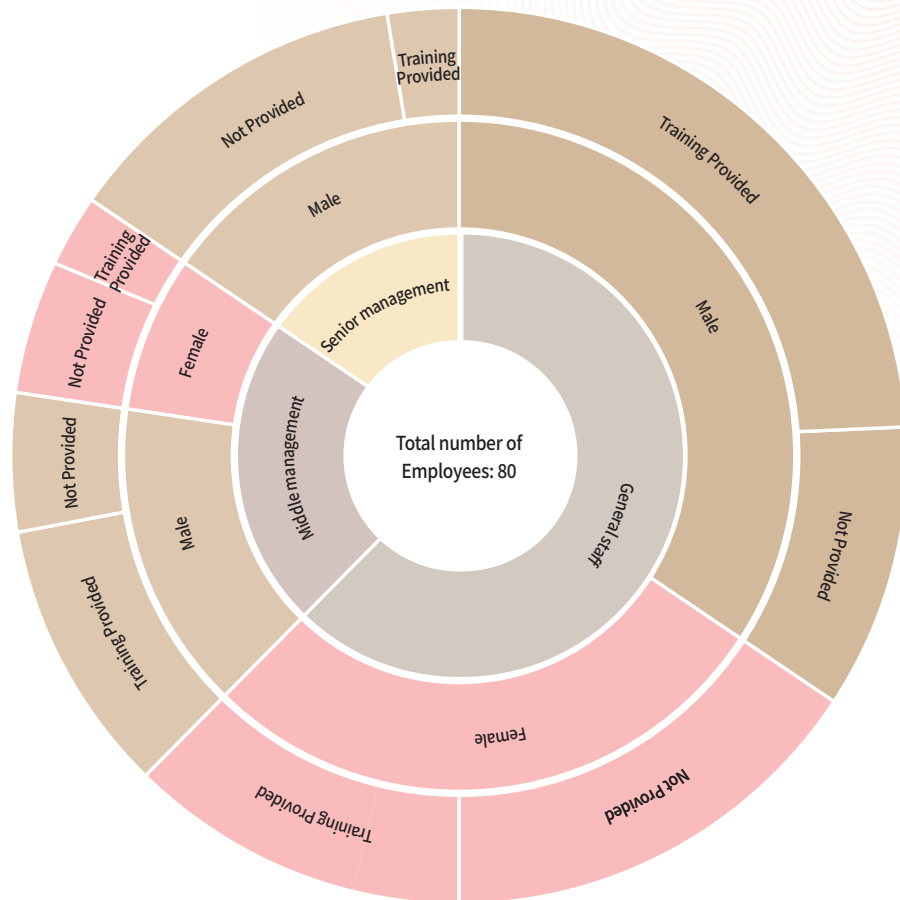
Regarding training as the source of strength and the need for the long-term development of an enterprise, the Group provides a multitude of training opportunities for its employees and encourages its employees to enhance their competitiveness and expand their capacity through continuous learning.

Employees are motivated to attend both internal and external training. 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 company development. The Group also organises employees to participate in external training programmes and offers extra study leave or examination leave for external training/examinations. Reimbursement can also be applied upon the approval from the head of department.

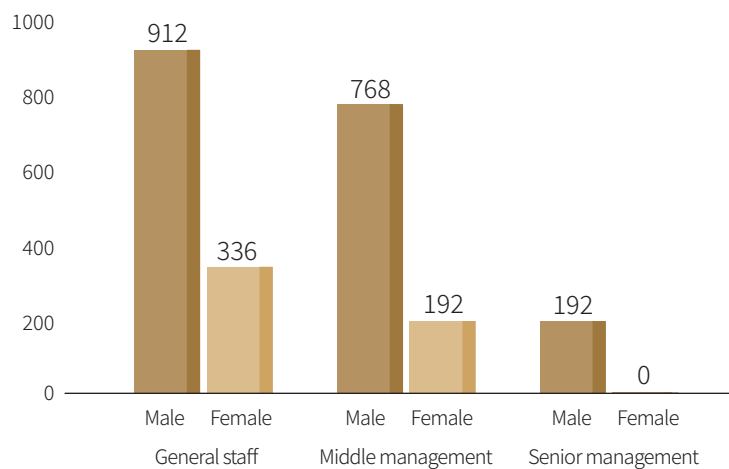
**Environmental, Social and Governance Report**

In FY2021, 38 employees of the Group received a total of 2,400 hours of training. Paying attention to the career development and personal growth of its general staff and frontline workers, more than 50% of employees trained in the year under review were general employees. More details regarding the employees trained and training hours can be found in Table S5 and S6 below.

**Graphs showing the distribution of number of employees by position, gender and training records**



Training Hours Distribution



## Environmental, Social and Governance Report

**Table S5. Number and Percentage of Employees Trained in the Group by Gender and Position Type in FY2021<sup>1</sup>**

Unit: Number of employees	Position			Total
	General staff	Senior management	Director and management	
Gender				
Male	19	8	2	29
% of employees trained	50.0	21.1	5.3	76.3
Female	7	2	0	9
% of employees trained	18.4	5.3	0	23.7
<b>Total Employees Trained:</b>				
Total	26	10	2	38
% of employees trained	68.4	26.3	5.3	47.5

1. The training information was obtained from the Group's Human Resources Department. Training refers to the vocational training that the Group's employees attended in FY2021. The methodology adopted for reporting on the number and percentage of employees trained set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

**Table S6. Training Hours Received by the Employees of the Group by Gender and Position Type in FY2021<sup>1</sup>**

Unit: Number of employees	Position			Total
	General staff	Senior management	Director and management	
Gender				
Male	912	768	192	1872
Average training hours	35.1	64.0	16.0	2.3
Female	336	192	0	528
Average training hours	14.0	32.0	0.0	17.6
Total	1248	960	192	2400
Average training hours	25.0	53.3	16.0	30.0

1. The training information was obtained from the Group's Human Resources Department. The methodology adopted for reporting training hours set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

## Environmental, Social and Governance Report

### **B.4 Labour Standards**

The Group strictly abides by the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other related labour laws and regulations in Hong Kong and the PRC to prohibit any child or forced labour employment. The Human Resources Department is responsible for monitoring and ensuring the compliance with the latest and relevant laws and regulations that prohibit child labour and forced labour.

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 department to provide valid identification document prior to the confirmation of employment. Every six months, regular reviews on personnel documents are carried out by the human resources department and the finance department. Once any practice that fails to conform to the relevant labour laws, regulations or standards is discovered by the Group, the relevant employment contract will be immediately terminated.

During FY2021, the Group was in compliance with 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 vital for the Group to maintain and manage a sustainable and reliable supply chain that brings positive impacts to the environment and society. In FY2021, the Group's major suppliers included suppliers of urns, environmentally friendly coffins, wreath, body bags, shroud and flowers.

To ensure that all suppliers and contractors operate in strict compliance with relevant regulations and in an eco-friendly manner, the Group keeps monitoring their performance and its supply chain practices on a continuous basis. The Group requires that all its suppliers and contractors follow the terms that has been agreed upon in the contract during the business partnership with Group.

Strictly following the Procurement and Supplier Selection Management System, in which a detailed supplier selection and evaluation process is specified, the Administration Department, Finance Department, Property Department and the General Manager are involved in the implementation of product procurement process and the monitoring and supporting of each other. In particular, the basic criteria for supplier selection of the Group include:

- Legal business license;
- Top-notch product quality, delivery speed, price and services;
- Good reputation in the market; and
- Eco-friendly practices in production and delivery of final products.

The Group's Procurement Department primarily assesses the suppliers based on factors including material and service quality, business records, project reference, market reputation and fulfilment of social and environmental responsibilities.

To maintain a fair and transparent business relationship with its suppliers, the Group ensures that all transactions should be based on the procedures set out in the Procurement Manual and defined in the contracts, in which specific business ethics, product quality and environmental requirements are specified clearly.

## Environmental, Social and Governance Report

Aiming to minimise the social and environmental risks that might arise from its supply chain, the Group carries out annual reviews of its suppliers' performance to ensure that the quality of products and services is consistently up to the standard. Meanwhile, monthly inspections led the Administrative Department together with the department head are conducted for some major suppliers. Once any products, services and operating practices are found not to meet the Group's requirements, the Corrective Action Request is issued and the suppliers need to take remedial measures immediately.

To deliver on its commitment on green procurement, the Group sets the target that 100% of its purchased materials should come from traceable origins and are environmentally friendly by 2025. Looking ahead, the Group will keep dedicated to giving priority to green products and suppliers.

The Group believes that a mutual understanding is essential to maintaining a sustainable and sound relationship with suppliers. As such, to strive for effective collaboration, on top of information sharing and communication through digital means as well as regular on-site visits, the Group keeps working on finding more advanced and efficient ways in maintaining strong business partnerships with its suppliers. In FY2021, the Group had a total of 7 major suppliers located in the PRC to whom the aforementioned supply chain management policies applied.

### B.6 Product Responsibility

While the Group has been engaging in a variety of businesses, the diversity of its operations has never diverted its focus and concerns in providing the best entertainment experience and funeral services to all its valued customers.

#### *Media and Entertainment Business*

##### Law compliance

As the entertainment segment mainly engages in the business activities including the production of media projects and the organisation of concerts and exhibitions, intellectual property rights and public safety are of paramount importance to the Group. The Group complied with the relevant laws and regulations in Hong Kong, Macau and the PRC, including but not limited to:

- DL 43/99/M in Macao (著作權及有關權利之制度);
- Copyright Ordinance (Chapter 528 of the Laws of Hong Kong);
- Patent Law of the People's Republic of China (中華人民共和國專利法); and
- Regulations on Security Administration of Large-scale Mass Activities (大型群眾性活動安全管理條例).

##### Quality of products

The Group spares no effort in paying attention to the details of all its entertainment projects so as to meet the ever-changing customer needs. Striving to provide the best entertainment to customers, the Group builds an internal quality control team to monitor the product quality. To guarantee the public safety in exhibitions and concerts, the quality control team of the Group conducts onsite monitoring to inspect facilities, semi-finished and finished products, while the venue is guarded to ensure public safety. Meanwhile, professional cleaners are assigned to clean the entire areas before and after the show, and professional engineers are assigned to ensure the safety, functionality and quality of instruments. In addition, when investing in and producing entertainment programmes, the Group focuses on the diversity and inclusiveness of content, balancing the proportions of different genders and minority groups. The Group did not experience any recall incident in the reporting year.

## Environmental, Social and Governance Report

### Advertising

All advertisements and marketing materials are required to follow the requirements of internal standards of the Group. The Group employs an experienced legal counsel to review and monitor the advertisements and marketing materials to ensure any exaggerated or wrongful description in the materials can be spotted before being released. All advertising materials and marketing practices are complied with the applicable laws and regulations, including the Advertising Law of the People's Republic of China 《中華人民共和國廣告法》.

### Intellectual property rights

The Group values and respects the protection of intellectual property and actively applies for trademarks. To safeguard the interests of the Group, the Management Team reviews the clauses of the agreement in detail properly before entering into any agreement.

The Group also pays particular attention to the prevention of infringement. The Group normally seeks legal advice should it be involved in any infringement cases to protect its own interests.

In FY2021, the Group complied with relevant laws and regulations including the Patent Law of the People's Republic of China 《中華人民共和國專利法》, the Trademark Law of the People's Republic of China 《中華人民共和國商標法》 and Patents Ordinance (Chapter 514 of the Laws of Hong Kong).

### Complaints

The Group sets opinion boxes and 24-hour hotlines to collect suggestions and complaints from the public. The clients' feedback is normally collected and sent to the head office for verification. The substantiated complaints are sent to different departments that are required to take immediate actions. The processing results, including ticket-related and refund matters should be treated carefully, handled discreetly and communicated timely with its clients. In FY2021, the Group did not receive any substantiated complaints.

### *Funeral service business*

#### Law compliance

In FY2021, the Group's daily operations mainly abided by relevant laws and regulations, including:

- Regulations on Funeral and Interment Control (國家殯葬管理條例);
- Cemetery Management Measures (公墓管理辦法);
- Measures for the Administration of Funeral and Interment in Guangdong Province (廣東省殯葬管理辦法);
- Administrative Regulations on Funeral and Interment in Huaiji County (懷集縣殯葬管理條例); and
- Funeral and Interment Reform Implementation Regulations (殯葬改革實施條例).

#### Quality of products

Championing a professional service attitude, the Group endeavours to continuously improve the parlour environment, service thoughtfulness, quality equipment and facilities to meet the needs of the bereaved families to the farthest extent.

To create and maintain the harmonious relationship between human and nature, the Group advocates civilised and thrifty funeral procedures and promotes the concept of "Green Funeral". Under the guidance of the local government, the Group gradually develops areas for arbour burial, flower burial and grassland burial. The Group is planning to increase the number of "Green Funeral" in the following years to reduce its environmental footprints.

## Environmental, Social and Governance Report

To provide more courteous and attentive services, the Group pays attention to the communication with the bereaved families. Equipped with special rooms, special reception staff and professional social workers, the Group ensures that there is a warm and comfortable place and professionals for better communication with the bereaved families. In the past, the Group received compliments from its clients who expressed the gratitude to the staff personally on the appreciation of the simple and solemn funeral for his relative.

Attributing to its excellent quality products and services, the Group was honoured as the "Civilised Unit of Huaiji County" (懷集縣文明單位) by the local authorities and was appraised by the Guangdong Civil Affairs Department as the "Secondary Funeral Parlour of Guangdong Province" (廣東省二級殯儀館).

### Health and safety

To maintain a high hygiene standard, the remains are sterilised immediately once arriving at the parlour. To enhance the quality and safety of the ashes, which is produced by high temperature cremation of over 900°C, ashes are sealed and the urns will be kept in the building with the designated employees on guard to ensure proper management. With a strict management procedure, there has been zero case of ashes deterioration or urns loss in the last decade since the cemetery started operation.

To ensure a clean and tidy environment, the professional cleaning staff is responsible for cleaning the cemetery at least twice a day, while the professional plumbers ensure the safety and operations of facilities for cremation.

### Privacy matters

Abiding by the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), Consumer Protection Law of the People's Republic of China (消費者權益保護法) and other relevant laws and regulations, the Group ensures that all rights and interests of customers are strictly protected.

Personal data collected will only be used for the purposes as being agreed upon, while all employees are required to obey the rules and strictly prohibited from disclosing any confidential information to external parties without customers' authorisation. An internal file management system is developed to archive all the cremation information. Professional training courses in privacy protection and confidentiality agreements are provided to the staff of the Group. To prevent any unauthorised use, export or copy of customer data, the IT Department of the Group sets restrictions between the office and the commercial network.

Given the industry nature, labelling and recall procedures are not applicable nor material to the Group's business, thereby not being discussed in this Report.

In FY2021, all business segments of the Group were in compliance with the relevant laws and regulations regarding health and safety, advertising, intellectual property, labelling and privacy matters of its products and services that are material to the Group.

## **B.7 Anti-corruption**

Creating an ethical business culture matters to the Group, which believes that scepticism and trust deficit impacts the Group's ability to maintain a healthy and productive workforce and the partnership necessary for bringing better services.

To maintain a fair, ethical and efficient business and working environment, the Group strictly abides by 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 People's Republic of China 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).



## Environmental, Social and Governance Report

The Group has zero-tolerance to bribery and corruption, and implements a series of frameworks, such as Clean Governance System (《黨風廉政建設制度》) and Proper Management System (《行風建設管理制度》), to manage bribery and corruption risks within its business. All employees are expected to discharge their duties with integrity and self-disciplined, required to abstain from engaging in any activities related to bribery, extortion, fraud and money laundering which might affect any business decisions or independent judgment during operations resulting in the exploitation of the Group's interests.

Effective whistleblowing procedures are in place to ensure that any suspicious or inappropriate conduct can be reported. In particular, the supervision hotline and opinion box are open to anyone. 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. In addition to ensure the effective implementation of the whistleblowing system through continuous monitoring, the Administrative Department is also responsible for conducting investigations against any suspicious or illegal behaviour to protect the Group's interests. Where any criminality is suspected, a report will be made to the local authority when the management considers it necessary.

Employees engagement is essential to creating an ethical corporate culture. To raise the awareness of employees in anti-corruption and eliminate the phenomenon of asking for "red packets", a series of training programmes were organised for the staff during the year under review. A two-hour training for deepening the professional ethics was held twice for 38 general employees of the Group, while a two-hour training about the ethical governance was provided for five middle management in FY2021.



In FY2021, the Group recorded zero concluded legal case regarding corrupt practices brought against the Group or its staff, and 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 a leading entertainment company, the Group works on bringing happiness to the community where it operates and strives to attain community prosperity by leveraging its resources and actively engaging itself with local communities, which enables the Group to better understand and address the concerns and needs of the underprivileged groups. Through the people-oriented approach, the Group particularly focuses on contributing to the well-being of the communities.

In FY2021, due to the restrictive measures and rule in controlling the pandemic, the Group and its staff were not able to devote themselves fully in participating in charitable events in alignment with its business philosophy for public safety reason. Nonetheless, the Group still tried their best to contribute to the society under a comprehensive strategy and respond to the needs of the communities through alternative ways until the pandemic is over.

##### *Supporting the Underprivileged*

In December 2021, the Chairman of the Group, Dong Choi Chi, Alex, held a talk-show “One chance can change your world” to share his life experiences with the audience aiming to inspire the others.



To show the Group’s support towards the underprivileged such as low-income families and single-parent families living below the poverty line, on behalf of the Group, the Chairman donated the revenue of this event, including the sales from tickets and souvenirs, without the deduction of any cost to J Life Foundation Limited, which is a charity focusing on helping families in poverty with food and educational aid. A total of HK\$749,135 were donated to the charity in support of their work on breaking the vicious cycle of cross-generation poverty.

##### *Caring and Happy Company*

The Group was awarded “Caring Company” Logo by the Hong Kong Council of Social Services and received the “Happy Company” Logo by the Promoting Happiness Index Foundation and the Hong Kong Productivity Council in recognition of its efforts in enhancing “Happiness-at-work” during the year under review.



## VI. REPORT DISCLOSURE INDEX

## HKEX ESG Reporting Guide content index

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## Environmental, Social and Governance Report

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## Environmental, Social and Governance Report

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<b>B7: Anti-corruption</b>	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	46
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# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Chong Cho Lam (“Mr. Chong”)**, aged 43, 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 founder 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 41, joined the Group on 4 May 2015. Mr. Dong has extensive experience in business development and marketing. 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

**Dr. Ip Wai Hung (“Dr. Ip”)**, aged 64, joined the Group on 1 September 2021, is the Emeritus Professor in the Faculty of Graduate and Postdoctoral Studies, Department of Mechanical Engineering at the University of Saskatchewan since March 2018, and is now senior research fellow in the Department of Industrial and Systems Engineering of the Hong Kong Polytechnic University and also a Distinguished Professor in the City University of Macau. Dr. Ip received his Doctor of Philosophy degree from Loughborough University of Technology (U.K.), a Master degree in Business Administration from Brunel University (U.K.), a Master of Science degree in Industrial Engineering from Cranfield Institute of Technology, and a Bachelor degree in Laws from the University of Wolverhampton (U.K.). Since June 2018, Dr. Ip has been appointed as an independent non-executive director of Tong Kee (Holding) Limited (stock code: 8305), the shares of which are listed on GEM of the Stock Exchange of Hong Kong Limited.

**Mr. Chan Wai Man (“Mr. Chan”)**, aged 56, 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. Siu Hi Lam, Alick (“Mr. Siu”)**, aged 67, 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.

## SENIOR MANAGEMENT

**Mr. Jip Ki Chi (“Mr. Jip”)**, aged 51, 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 2021.

## 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 2021 are set out in note 4 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 67. The Directors do not recommend the payment of a dividend for the year ended 31 December 2021 (31 December 2020: 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 164 of the annual report.

## BUSINESS REVIEW

### Principal Risks and Uncertainties

The Group's financial condition, results or operations, businesses and prospectus would be affected by a number of risks and uncertainties and a discussion of the principal risks and uncertainties facing the Group can be found in the management discussion and analysis section and the corporate governance report sections of this report.

### Media and entertainment businesses

During the year ended 31 December 2021, the total revenue from media and entertainment businesses was approximately HK\$34,939,000, which was 96.87% higher than that of the corresponding period of approximately HK\$17,747,000. During the year, revenues were mainly derived from organisation of concert and other entertainment events, sponsorship income, net loss on investments in concert, other entertainment event, film and TV drama production projects. The Group organised and invested in a total of 8 concerts (2020: 3 concerts); organised 3 exhibitions (2020: 1 exhibition); organised 1 drama (2020: Nil); and organised 7 pop-up stores (2020: 2 stores) during the year.

### Cremation and funeral services businesses

Cremation and related business operations were enhanced during the year ended 31 December 2021 and their total revenue for the year (including relevant government subsidies recognised) was approximately HK\$14,090,000, which was 24.16% higher than that of the corresponding period of last year of approximately HK\$11,348,000. The increase was mainly due to (i) more customers used the high-grade cremation services; and (ii) some new value-added funeral services were launched during the year.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2021 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 2021 are set out in note 26 to the consolidated financial statements.



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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

## 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 2021.

## 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

Dr. Ip Wai Hung (*appointed on 1 September 2021*)  
Mr. Chan Wai Man  
Mr. Siu Hi Lam, Alick  
Mr. Ting Kit Lun (*resigned on 16 August 2021*)

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. Siu Hi Lam, Alick and Dr. Ip Wai Hung 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 2021, 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	3,600,000	12,466,000	16,066,000	0.77%
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Beneficial owner		517,589,426	–	517,589,426	24.70%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	2	776,424,279	–	776,424,279	37.04%
			1,294,013,705	–	1,294,013,705	61.74%

Notes:

- The underlying shares represent (i) 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 (the "Performance Target") from the grant date (i.e. 13 December 2019); and (ii) 11,466,000 share options granted by the Company to Mr. Chong to subscribe for 11,466,000 shares at an adjusted exercise price of HK\$0.232 per share. On 28 March 2022, 1,000,000 awarded shares lapsed as the Performance Target cannot be met.
- Mr. Dong, Mr. Cheng Ting Kong and Mr. Chau Cheuk 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.

### 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"), 31 August 2011 (the "2011 Share Option Scheme") and 15 September 2021 (the "New Share Option Scheme") respectively. The 2001 Share Option Scheme and the 2011 Share Option Scheme were expired on 21 October 2011 and 30 August 2021 respectively. No further share options of the Company shall be granted under the 2001 Share Option Scheme and the 2011 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.

## Directors' Report

As at 31 December 2021, a total of 146,892,200 share options were remained outstanding, representing approximately 7.0% 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 New Share Option Scheme. Further details of the New Share Option Scheme are set out in note 27 to the consolidated financial statement.

Movements of the share options granted by the Company pursuant to the New Share Option Scheme during the year ended 31 December 2021 were as follows:

	Number of share options						Date of grant	Exercise period	Vesting Period	Adjusted exercise price per share (Note 1)	Closing share price immediate before the date of grant
	Outstanding as at 1 January 2021	Granted during the year	Exercised during the year	Adjusted during the year (Note 1)	Forfeited/ lapsed/ cancelled during the year	Outstanding and exercisable as at 31 December 2021					
<b>Category 1: Director</b>											
Mr. Chong	-	9,000,000	-	2,466,000	-	11,466,000	12 April 2021	12 April 2021 – 11 April 2024	Vested on date of grant	HK\$0.232	HK\$0.280
<b>Category 2: Employees/consultants</b>											
Employees	8,500,000	-	-	2,329,000	-	10,829,000	12 July 2019	12 July 2019 – 11 July 2029	Vested on date of grant	HK\$0.581	HK\$0.720
Consultants	7,800,000	-	-	2,137,200	-	9,937,200	12 July 2019	12 July 2019 – 11 July 2029	Vested on date of grant	HK\$0.581	HK\$0.720
Employees	-	6,000,000	-	1,644,000	-	7,644,000	12 April 2021	12 April 2021 – 11 April 2024	Vested on date of grant	HK\$0.232	HK\$0.280
Consultants	-	33,500,000	-	9,179,000	-	42,679,000	12 April 2021	12 April 2021 – 11 April 2024	Vested on date of grant	HK\$0.232	HK\$0.280
Consultants	-	50,500,000	-	13,837,000	-	64,337,000	12 April 2021	12 April 2022 – 11 April 2025	Vested one year after date of grant	HK\$0.232	HK\$0.280
Sub total	16,300,000	90,000,000	-	29,126,200	-	135,426,200					
Total of all categories	16,300,000	99,000,000	-	31,592,200	-	146,892,200					

Note:

- As a result of the rights issue effective on 26 October 2021, the exercise price and the number of new shares to be issued under the outstanding share options were adjusted pursuant to the terms of the and conditions of the New Share Option Scheme.

## 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.

No shares were awarded under the Share Award Scheme during the year ended 31 December 2021.

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 2021
		Outstanding as at 1 January 2021	Granted during the year	Vested during the year	Lapsed during the year	
Mr. Chong Cho Lam	13 December 2019	1,000,000	-	-	(1,000,000)	-

Further details of the Share Award Scheme are set out in note 27 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 2021, 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		517,589,426	Long	24.70%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	776,424,279	Long	37.04%
			1,294,013,705		61.74%
Mr. Chau Cheuk Wa ("Mr. Chau")	Beneficial owner		776,424,279	Long	37.04%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO	1	517,589,426	Long	24.70%
			1,294,013,705		61.74%
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	1,294,013,705	Long	61.74%
New Brilliant Investments Limited	Beneficial owner	2	158,414,496	Long	7.56%
Mr. Chui Bing Sun ("Mr. Chui")	Beneficial owner	4	1,800	Long	0.00%
	Interest of controlled corporation	2 and 3	209,414,496	Long	9.99%
			209,416,296		9.99%
Mr. Chan Ping Che	Beneficial owner		97,390,000	Long	11.80%
Albula Investment Fund Ltd	Beneficial owner		105,120,000	Long	5.02%

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 2021, 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.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, 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 2021 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 32 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 2021 or at any time during the year.

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2021, the Group had entered into the following connected transaction and continuing connected transaction, details of which had been disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

### (i) Equipment Transfer Agreement

On 21 January 2021, Sunny Blue Sea Production Limited (the "JV Company"), an indirectly non-wholly owned subsidiary of the Company, and JHM Engineering Company Limited (the "Vendor") entered into the equipment transfer agreement in respect of the acquisition of the audio, lighting and stage equipment. Pursuant to the equipment transfer agreement, the JV Company agreed to purchase and the Vendor agreed to sell the equipment.

The JV Company is indirectly held as to 70% by the Company and 30% by Mr. Lam Kong Yam. Mr. Lam Kong Ming is the brother of Mr. Lam Kong Yam, and pursuant to Rule 20.10(2)(a) of the GEM Listing Rules, he is also a connected person at the subsidiary level of the Company by virtue of being an associate of Mr. Lam Kong Ming.

The Vendor is indirectly wholly-owned by Mr. Lam Kong Ming, and pursuant to Rule 20.10(2)(b) of the GEM Listing Rules, the Vendor is therefore also a connected person at the subsidiary level.

The total consideration under the equipment transfer agreement is HK\$8,000,000, which was fully paid by the JV Company to the Vendor or a recipient designated by the Vendor upon completion.

### (ii) Cooperation Framework Agreement

On 21 January 2021, the JV Company, JK Brothers Production Limited (the "JK Brothers Production"), JK Brothers Engineering Limited (the "JK Brothers Engineering"), Mr. Lam Kong Ming and Mr. Lam Kong Yam entered into the cooperation framework agreement.

Pursuant to the cooperation framework agreement: (1) JK Brothers Engineering and/or JK Brothers Production shall provide human resources and other services in relation to the JV Company's business to the JV Company in Macau; and (2) The JV Company shall provide equipment hiring, stage production, project management and consultancy services to JK Brothers Engineering and/or JK Brothers Production in respect of their businesses in Macau.

The cooperation framework agreement will take effect on 21 January 2021 and shall continue in force until 31 December 2023.

The independent non-executive Directors of the Company, reviewed the above continuing connected transactions and confirmed that such continuing connected transactions, for the reporting period, have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

During the year ended 31 December 2021, the total transaction amount of human resources charged by JK Brothers Engineering and/or JK Brothers Production under cooperation framework agreement was approximately HK\$3,502,000.

## RETIREMENT BENEFITS SCHEMES

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

## Directors' Report

### 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 2021.

### 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 engaged in investment holding, artiste and model management, entertainment, sports, entertainment and music production. 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 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 2021.

### 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 27 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.

### PERMITTED INDEMNITY PROVISION

The Bye-laws of the Company provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

A Director's and Officers Liability Insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

### EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2021, save as disclosed in the sections headed "Share Option Schemes" and "Share Award Scheme" of this report, the Company has not entered into any equity-linked agreement, nor did any equity linked agreement subsist at the end of the year.

## 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 2021, the Group made charitable and other donations amounting to approximately HK\$30,000, (31 December 2020: HK\$939,000).

## AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2021, 31 December 2020 and 31 December 2019 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 2022 AGM. The Company has not changed its external auditor during the year ended 31 December 2021 and up to the date of this annual report.

On behalf of the Board

**Dong Choi Chi, Alex**

*Chairman and executive Director*

28 March 2022

# Independent Auditor's Report



## To the shareholders of Sun Entertainment 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 (the "Company") and its subsidiaries (the "Group") set out on pages 67 to 163, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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.



**Key audit matter****How our audit addressed the key audit matter*****Impairment assessment of an intangible asset with an indefinite useful life***

As at 31 December 2021, the Group had an intangible asset with an indefinite useful life representing operating rights in relation to certain cremation business with a carrying amount of approximately HK\$9,861,000 (the "Intangible Asset"). An intangible asset with an 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 independent professionally qualified valuers (the "external valuers").

The impairment assessment 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, the long term growth rate and the discount rate applicable to the CGU, taking into consideration the 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 available information; and
- we evaluated the adequacy of related disclosures in the consolidated financial statements.

## Independent Auditor's Report

### 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.

## 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, actions taken to eliminate threats or safeguards applied.

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

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

**Ernst & Young**

*Certified Public Accountants*

27/F, One Taikoo Place

979 King's Road

Quarry Bay, Hong Kong

28 March 2022

# Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	5	<b>49,029</b>	29,095
Cost of sales		<b>(47,111)</b>	(20,119)
Gross profit		<b>1,918</b>	8,976
Other income and gains	5	<b>1,101</b>	2,400
Selling, marketing and distribution expenses		<b>(7,775)</b>	(5,133)
Impairment of trade and other receivables, net	6	<b>(13,920)</b>	(7,761)
General, administrative and other expenses		<b>(51,373)</b>	(28,888)
Finance costs	7	<b>(1,273)</b>	(73)
LOSS BEFORE TAX	6	<b>(71,322)</b>	(30,479)
Income tax expense	10	<b>(295)</b>	(196)
LOSS FOR THE YEAR		<b>(71,617)</b>	(30,675)
Attributable to:			
Owners of the Company		<b>(69,142)</b>	(30,541)
Non-controlling interests		<b>(2,475)</b>	(134)
		<b>(71,617)</b>	(30,675)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted (HK cents)		<b>(4.42)</b>	(2.11)

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
LOSS FOR THE YEAR	<b>(71,617)</b>	(30,675)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>856</b>	1,666
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<b>(70,761)</b>	(29,009)
Attributable to:		
Owners of the Company	<b>(68,303)</b>	(29,010)
Non-controlling interests	<b>(2,458)</b>	1
	<b>(70,761)</b>	(29,009)

# Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	<b>22,936</b>	13,140
Right-of-use assets	14(a)	<b>4,500</b>	187
Intangible assets	15	<b>13,516</b>	13,971
Investment in an associate	16	–	–
Investment in a film production project	17	<b>1,345</b>	1,350
Prepayments and deposits	20	<b>12,306</b>	10,571
<b>Total non-current assets</b>		<b>54,603</b>	39,219
<b>CURRENT ASSETS</b>			
Inventories	18	<b>5,054</b>	907
Investments in concert, other entertainment event, film and TV drama production projects	17	<b>11,064</b>	8,545
Trade receivables	19	<b>4,988</b>	3,905
Prepayments, deposits and other receivables	20	<b>19,285</b>	32,254
Tax recoverable		<b>68</b>	68
Cash and cash equivalents	21	<b>114,644</b>	34,037
<b>Total current assets</b>		<b>155,103</b>	79,716
<b>CURRENT LIABILITIES</b>			
Trade payables, other payables, accruals and other financial liabilities	22	<b>34,837</b>	23,482
Deferred income	24	<b>714</b>	498
Lease liabilities	14(b)	<b>3,011</b>	141
Tax payable		<b>7,325</b>	7,429
<b>Total current liabilities</b>		<b>45,887</b>	31,550
<b>NET CURRENT ASSETS</b>		<b>109,216</b>	48,166
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>163,819</b>	87,385

**Consolidated Statement of Financial Position**

31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>163,819</b>	87,385
NON-CURRENT LIABILITIES			
Deferred income	24	<b>2,695</b>	1,957
Lease liabilities	14(b)	<b>1,418</b>	51
Other borrowing	23	<b>35,000</b>	20,000
Deferred tax liabilities	25	<b>2,386</b>	2,386
Total non-current liabilities		<b>41,499</b>	24,394
Net assets		<b>122,320</b>	62,991
EQUITY			
<b>Equity attributable to owners of the Company</b>			
Issued capital	26	<b>52,400</b>	31,270
Reserves	29	<b>68,142</b>	30,085
		<b>120,542</b>	61,355
Non-controlling interests		<b>1,778</b>	1,636
Total equity		<b>122,320</b>	62,991

**Chong Cho Lam**  
Director

**Dong Choi Chi, Alex**  
Director



# Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Notes	Attributable to owners of the Company									Total equity HK\$'000
		Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (note 29)	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	
At 1 January 2020		31,270	350,143	31,713	(428)	6,979	(391)	(329,209)	90,077	1,635	91,712
Loss for the year		-	-	-	-	-	-	(30,541)	(30,541)	(134)	(30,675)
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		-	-	-	1,531	-	-	-	1,531	135	1,666
Total comprehensive loss for the year		-	-	-	1,531	-	-	(30,541)	(29,010)	1	(29,009)
Equity-settled share award arrangements	27	-	-	-	-	288	-	-	288	-	288
At 31 December 2020 and 1 January 2021		31,270	350,143*	31,713*	1,103*	7,267*	(391)*	(359,750)*	61,355	1,636	62,991
Loss for the year		-	-	-	-	-	-	(69,142)	(69,142)	(2,475)	(71,617)
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		-	-	-	839	-	-	-	839	17	856
Total comprehensive loss for the year		-	-	-	839	-	-	(69,142)	(68,303)	(2,458)	(70,761)
Capital injections by non-controlling interests		-	-	-	-	-	-	-	-	2,600	2,600
Issue of shares	26	21,130	97,200	-	-	-	-	-	118,330	-	118,330
Share issue expenses	26	-	(1,897)	-	-	-	-	-	(1,897)	-	(1,897)
Equity-settled share option arrangements	27	-	-	-	-	11,375	-	-	11,375	-	11,375
Equity-settled share award arrangements	27	-	-	-	-	(318)	-	-	(318)	-	(318)
<b>At 31 December 2021</b>		<b>52,400</b>	<b>445,446*</b>	<b>31,713*</b>	<b>1,942*</b>	<b>18,324*</b>	<b>(391)*</b>	<b>(428,892)*</b>	<b>120,542</b>	<b>1,778</b>	<b>122,320</b>

\* These reserve accounts comprise the consolidated reserves of HK\$68,142,000 (2020: HK\$30,085,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		<b>(71,322)</b>	(30,479)
Adjustments for:			
Amortisation of deferred income	6	<b>(511)</b>	(489)
Depreciation of property, plant and equipment	6	<b>3,814</b>	3,642
Depreciation of right-of-use assets	6	<b>1,235</b>	1,168
Amortisation of an intangible asset	6	<b>223</b>	223
Impairment of trade receivables, net	6	<b>2,258</b>	4,256
Impairment of other receivables, net	6	<b>11,662</b>	3,505
Impairment of loan to an associate	6	<b>1,800</b>	–
Impairment of intangible asset	6	<b>550</b>	–
Gain on lease termination	6	–	(14)
Loss on disposal/write-off of items of property, plant and equipment	6	<b>227</b>	56
Equity-settled share-based payment expense, net	6	<b>11,057</b>	288
Strategic cooperation expense	6	–	3,600
Finance costs	7	<b>1,273</b>	73
		<b>(37,734)</b>	(14,171)
Increase in inventories		<b>(4,134)</b>	(812)
Decrease/(increase) in trade receivables		<b>(3,283)</b>	11,675
Decrease/(increase) in prepayments, deposits and other receivables		<b>(268)</b>	8,516
Decrease/(increase) in investments in concert, other entertainment event, film and TV drama production projects, net		<b>(2,420)</b>	11,479
Increase/(decrease) in trade payables, other payables, accruals and other financial liabilities		<b>10,656</b>	(16,434)
Increase in deferred income		<b>1,465</b>	–
Cash generated from/(used in) operations		<b>(35,718)</b>	253
Hong Kong profits tax paid		–	(2,997)
Overseas taxes paid		<b>(399)</b>	(113)
Net cash flows used in operating activities		<b>(36,117)</b>	(2,857)

continued/...

## Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(11,014)	(1,314)
Increase in loan to an associate		(1,800)	–
Net cash flows used in investing activities		(12,814)	(1,314)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	26(a)	118,330	–
Share issue expenses	26(a)	(1,897)	–
New other borrowing		15,000	20,000
Repayment of an other borrowing		–	(335)
Principal portion of lease payments		(1,275)	(1,118)
Interest paid		(728)	(73)
Net cash flows from financing activities		129,430	18,474
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		34,037	19,039
Effect of foreign exchange rate changes, net		108	695
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>114,644</b>	<b>34,037</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	21	114,644	34,037

# Notes to Financial Statements

31 December 2021

## 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 17th Floor, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

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

- organisation/production of and investments in concert, other entertainment event, film and TV drama production projects, 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 <sup>(i)&amp;(ii)</sup>	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
Bookyay Limited	Hong Kong	HK\$100	-	100	Platform provision services
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 <sup>(i),(ii)&amp;(iii)</sup>	PRC/Mainland China	RMB10,500,000	-	100	Provision of cremation and funeral services

continued/...

## Notes to Financial Statements

31 December 2021

## 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
Pet It Go Limited	Hong Kong	HK\$1	–	100	Provision of pet aftercare services
Sage Dignity Services Limited	Hong Kong	HK\$100	–	100	Provision of administrative services
Sun Bond Engineering Limited	Macau	MOP\$100,000	–	70	Provision of stage production and related services
Sun Entertainment Asia Limited	Hong Kong	HK\$1	–	100	Investments in concert and other entertainment event projects
Sunny Blue Sea Production Limited	Hong Kong	HK\$8,000,000	–	70	Provision of stage production and related services
Sunny Side Up (Never) Limited	Hong Kong	HK\$100	–	100	Investments in and organisation/ production of concert, other entertainment event, film and TV drama production projects
Yeah Yeah Play Limited	Hong Kong	HK\$1,000	–	70	Sales of goods

Notes:

- (i) The English name is for identification purposes only.
- (ii) These are limited liability companies registered in the PRC under the relevant 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.

The above table lists the subsidiaries of the Company which, in the opinion of the Company's directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group, or are of particular importance/purpose 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 2021

### 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 investments in concert, other entertainment event, film and TV drama production projects, and certain financial liabilities 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 2021. 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 Company 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.

## 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16

*Interest Rate Benchmark Reform – Phase 2*

Amendment to HKFRS 16

*Covid-19-Related Rent Concessions beyond 30 June 2021*  
(early adopted)

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group in the year of initial application.

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## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of accumulated losses at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

## 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>Reference to the Conceptual Framework<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to HKFRS 17	<i>Insurance Contracts<sup>2,5</sup></i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information<sup>6</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2,4</sup></i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>2</sup></i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>1</sup></i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract<sup>1</sup></i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 <sup>1</sup>



**Notes to Financial Statements**

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## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2022
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2023
- <sup>3</sup> No mandatory effective date yet determined but available for adoption
- <sup>4</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
- <sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023
- <sup>6</sup> The HKICPA amends HKFRS 17 in February 2022 to permit a classification overlay for financial assets presented in comparative periods on initial application of HKFRS 17

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements in the period of initial application.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. Subject to further assessment, the amendments are not expected to have any significant impact on the Group's financial statements in the period of initial application.

**Notes to Financial Statements**

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## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements in the period of initial application.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements in the period of initial application.

*Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements in the period of initial application.
- *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

**Notes to Financial Statements***31 December 2021***2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Interests in associates and joint operations**

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

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.

The Group recognises in relation to an 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.

## 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, film and TV drama production projects, and certain financial liabilities 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.

**Notes to Financial Statements**

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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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

## 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.

## Notes to Financial Statements

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



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment and depreciation (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.

### Leases

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	1 to 2 years
Equipment	5 years

**Notes to Financial Statements**

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Leases** (continued)**Group as a lessee** (continued)

## (a) Right-of-use assets (continued)

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 lease. 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.

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.

**Notes to Financial Statements**

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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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

#### **Subsequent measurement** (continued)

Financial assets at fair value through profit or loss (continued)

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.

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.

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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.

When defining default for the purposes of determining the risk of a default occurring, the Group applies a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators when appropriate. In particular, notwithstanding there is a rebuttable presumption that a financial asset is in default when contractual payments are certain specific days past due, the Group generally considers it has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. 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.

## 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. The Group recognises lifetime ECLs for trade receivables and measures the lifetime ECLs on a specific basis according to management's assessment of the recoverability of an individual receivable. Management considers the number of days that an individual receivable is outstanding, historical experience and forward-looking information to determine the recoverability of the trade receivable.

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 at amortised cost, 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.



## 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 schemes**

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.

**Notes to Financial Statements***31 December 2021***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.

## 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, and 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.

**Notes to Financial Statements**

31 December 2021

**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, for 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.

(b) Cremation and funeral services

Revenue from cremation and funeral services is generally recognised when the relevant services are provided/performed and/or the relevant activities occurred.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

#### **Revenue from contracts with customers** (continued)

(c) Concert and other entertainment event organisation

Revenue from the organisation of concerts or other entertainment events is generally recognised upon the occurrence of the relevant concerts or other entertainment events and when the relevant services are provided/performed.

(d) Sponsorship income

Sponsorship income for specific sponsorship activities over a 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, or as the relevant services are provided/performed and/or the relevant events/activities occurred.

(e) Artiste management and performance services

Revenue from the provision of artiste management, artiste performance and other related services for/relating to specific events/activities is generally recognised upon the occurrence of the specific events/activities and/or when the relevant services are provided/performed.

#### **Revenue from other sources**

Cremation services income subsidised by the local 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, film and TV drama 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.

#### **Other income**

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

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

**Notes to Financial Statements***31 December 2021***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 a share option scheme 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 27 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense 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.

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Share-based payments** (continued)

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.

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

### **Other 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.

**Notes to Financial Statements***31 December 2021***2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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).

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 exchange rates that approximate to those prevailing at the dates of the transactions.

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.



**Notes to Financial Statements**

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### 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.

#### **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.

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

As detailed in note 28 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 and estimates 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 28 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.

#### ***Impairment of non-financial assets***

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use 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.

**Notes to Financial Statements**

31 December 2021

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)****Estimation uncertainty (continued)*****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 and estimates 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. The amount of ECLs is sensitive to changes in circumstances and forecasts of future economic conditions. The Group's historical credit loss experience and forecasts of future economic conditions may also not be representative of a debtor's actual default in the future. 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 20 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/derived based on quoted prices in active markets, their fair values are determined using valuation techniques including the discounted cash flow models. 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, forecasts of cash flows, discount rate and other factors, as appropriate. Changes in assumptions and estimates relating to these factors could affect the reported fair values of financial instruments. Further details are given in note 34 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 profit or loss in the subsequent remaining vesting period of the relevant share options.

**Notes to Financial Statements***31 December 2021***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 concert, other entertainment event, film and TV drama production projects, 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 resource 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 other borrowing and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

## Notes to Financial Statements

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## 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2021/as at 31 December 2021

	Media and entertainment HK\$'000	Cremation and funeral services HK\$'000	Total HK\$'000
<b>Segment revenue (note 5)</b>			
Revenue from contracts with external customers	36,263	7,813	44,076
Other revenue <sup>#</sup>	(1,324)	6,277	4,953
	<b>34,939</b>	<b>14,090</b>	<b>49,029</b>
<b>Segment results</b>	<b>(48,535)</b>	<b>(791)</b>	<b>(49,326)</b>
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(20,723)
Finance costs			(1,273)
Loss before tax			(71,322)
<b>Segment assets</b>	<b>82,090</b>	<b>29,418</b>	<b>111,508</b>
<i>Reconciliation:</i>			
Corporate and other unallocated assets			98,198
Total assets			209,706
<b>Segment liabilities</b>	<b>32,637</b>	<b>14,587</b>	<b>47,224</b>
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			40,162
Total liabilities			87,386
<b>Other segment information</b>			
Depreciation and amortisation	2,162	2,284	4,446
Loss on disposal/write-off of items of property, plant and equipment	4	4	8
Capital expenditure*	8,362	5,052	13,414
Impairment of trade and other receivables, net	12,797	1,123	13,920
Impairment of loan to an associate	1,800	–	1,800

<sup>#</sup> Including government subsidies received for the rendering of cremation services and net loss on investments in concert, other entertainment event, film and TV drama production projects.

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

## Notes to Financial Statements

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## 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020/as at 31 December 2020

	Media and entertainment HK\$'000	Cremation and funeral services HK\$'000	Total HK\$'000
<b>Segment revenue (note 5)</b>			
Revenue from contracts with external customers	17,566	5,582	23,148
Other revenue <sup>#</sup>	181	5,766	5,947
	17,747	11,348	29,095
<b>Segment results</b>			
	(20,900)	1,344	(19,556)
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(10,850)
Finance costs			(73)
Loss before tax			(30,479)
<b>Segment assets</b>			
	70,098	26,023	96,121
<i>Reconciliation:</i>			
Corporate and other unallocated assets			22,814
Total assets			118,935
<b>Segment liabilities</b>			
	18,711	13,624	32,335
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			23,609
Total liabilities			55,944
<b>Other segment information</b>			
Depreciation and amortisation	618	1,813	2,431
Loss on disposal of items of property, plant and equipment	56	–	56
Strategic cooperation expense (note 28)	3,600	–	3,600
Capital expenditure*	42	1,272	1,314
Impairment of trade and other receivables, net	6,193	1,568	7,761

<sup>#</sup> Including government subsidies received for the rendering of cremation services and net gain on investments in concert and other entertainment event projects.

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

## Notes to Financial Statements

31 December 2021

## 4. OPERATING SEGMENT INFORMATION (continued)

## Geographical information

## (a) Revenue from contracts with external customers

	2021 HK\$'000	2020 HK\$'000
Hong Kong	25,062	5,635
Mainland China	7,677	5,998
Macau	4,072	–
Taiwan	7,265	11,515
	<b>44,076</b>	23,148

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

	2021 HK\$'000	2020 HK\$'000
Hong Kong	6,471	5,521
Mainland China	23,584	21,646
Macau	10,772	–
Others	125	131
	<b>40,952</b>	27,298

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

## Notes to Financial Statements

31 December 2021

## 4. OPERATING SEGMENT INFORMATION (continued)

**Information about a major customer\***

Revenue derived from transactions with a single external party contributing more than 10% of the total revenue of the Group, which is reported in the cremation and funeral services segment, is as follows:

	2021 HK\$'000	2020 HK\$'000
Customer	<b>6,277</b>	5,766

\* Including any external party which contributed to revenue from other sources of the Group.

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 HK\$'000	2020 HK\$'000
<i>Revenue from contracts with customers</i>		
Provision of cremation and funeral services and sale of related goods	<b>7,813</b>	5,582
Concert and other entertainment event income and sale of related goods	<b>35,063</b>	17,175
Artiste management and performance services income	<b>1,200</b>	391
	<b>44,076</b>	23,148
<i>Revenue from other sources</i>		
Rendering of cremation services	<b>6,277*</b>	5,766*
Gain/(loss) on investments in concert, other entertainment event, film and TV drama production projects, net	<b>(1,324)</b>	181
	<b>4,953</b>	5,947
	<b>49,029</b>	29,095

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

## Notes to Financial Statements

31 December 2021

## 5. REVENUE, OTHER INCOME AND GAINS (continued)

## Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2021

	Media and entertainment HK\$'000	Cremation and funeral services HK\$'000	Total HK\$'000
<b>Types of goods or services</b>			
Sale of goods	6,813	947	7,760
Cremation and funeral services	–	6,866	6,866
Concert and other entertainment event organisation	26,005	–	26,005
Sponsorship	2,245	–	2,245
Artiste management and performance	1,200	–	1,200
<b>Total revenue from contracts with customers</b>	<b>36,263</b>	<b>7,813</b>	<b>44,076</b>
<b>Geographical markets</b>			
Hong Kong	24,926	136	25,062
Mainland China	–	7,677	7,677
Macau	4,072	–	4,072
Taiwan	7,265	–	7,265
<b>Total revenue from contracts with customers</b>	<b>36,263</b>	<b>7,813</b>	<b>44,076</b>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	6,813	947	7,760
When relevant services are provided/performed and/or relevant events/activities occurred	29,450	6,866	36,316
<b>Total revenue from contracts with customers</b>	<b>36,263</b>	<b>7,813</b>	<b>44,076</b>



## Notes to Financial Statements

31 December 2021

## 5. REVENUE, OTHER INCOME AND GAINS (continued)

## Revenue from contracts with customers (continued)

## (i) Disaggregated revenue information (continued)

For the year ended 31 December 2020

	Media and entertainment HK\$'000	Cremation and funeral services HK\$'000	Total HK\$'000
<b>Types of goods or services</b>			
Sale of goods	558	580	1,138
Cremation and funeral services	–	5,002	5,002
Concert and other entertainment event organisation	16,569	–	16,569
Sponsorship	48	–	48
Artiste management and performance	391	–	391
<b>Total revenue from contracts with customers</b>	<b>17,566</b>	<b>5,582</b>	<b>23,148</b>
<b>Geographical markets</b>			
Hong Kong	5,635	–	5,635
Mainland China	416	5,582	5,998
Taiwan	11,515	–	11,515
<b>Total revenue from contracts with customers</b>	<b>17,566</b>	<b>5,582</b>	<b>23,148</b>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	558	580	1,138
When relevant services are provided/performed and/or relevant events/activities occurred	17,008	5,002	22,010
<b>Total revenue from contracts with customers</b>	<b>17,566</b>	<b>5,582</b>	<b>23,148</b>

## Notes to Financial Statements

31 December 2021

## 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 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 when relevant services are provided/performed and/or relevant activities occurred, and payment is generally due upon completion of the services/activities.

## Concert and other entertainment event organisation

The performance obligation is generally satisfied upon the occurrence of the relevant concerts or other entertainment events and/or when the relevant services are provided/performed, 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 generally within 60 to 180 days.

## Sponsorship income

The performance obligation is generally satisfied over the sponsorship period or as relevant services are provided/performed and/or relevant events/activities occurred, while certain payments in advance are normally required, with the balance generally payable upon completion of the relevant events/activities or based on agreed terms.

## Artiste management and performance services

The performance obligation is generally satisfied upon the occurrence of certain events/activities and/or when the relevant services are provided/performed, and payment is generally due within 30 to 60 days upon completion of the relevant events, activities or services.

	2021 HK\$'000	2020 HK\$'000
<b>Other income and gains</b>		
Government subsidies <sup>#</sup>	–	748
Service fee income	476	816
Others	625	836
	<b>1,101</b>	2,400

<sup>#</sup> The government subsidies include subsidies received under the Employee Support Scheme of the Government of the Hong Kong Special Administrative Region. There were no unfulfilled conditions or contingencies relating to the subsidies.

## Notes to Financial Statements

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## 6. LOSS BEFORE TAX

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

	Notes	2021 HK\$'000	2020 HK\$'000
Cost of inventories sold		5,131	801
Depreciation of property, plant and equipment	13	3,814	3,642
Depreciation of right-of-use assets	14(a)	1,235	1,168
Amortisation of an intangible asset*	15	223	223
Lease payments not included in the measurement of lease liabilities	14(c)	1,834	875
Auditor's remuneration		2,600	2,000
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Salaries, bonuses and other benefits		14,935	11,297
Equity-settled share-based payment expense, net**		1,689	288
Pension scheme contributions (defined contribution schemes)^		386	210
		<b>17,010</b>	11,795
Equity-settled share option expense in respect of share options granted to consultants		9,368	–
Loss on disposal/write-off of items of property, plant and equipment		227	56
Gain on lease termination	14	–	(14)
Impairment of trade receivables, net	19	2,258	4,256
Impairment of other receivables, net	20	11,662	3,505
Impairment of loan to an associate	16	1,800	–
Impairment of intangible asset*	15	550	–
Write-down of inventories to net realisable value		834	–
Strategic cooperation expense*	28	–	3,600
Fair value gains, net:			
Financial liabilities at fair value through profit or loss – designated as such upon initial recognition	22	(1,511)	(404)
Foreign exchange differences, net		(437)	188
Amortisation of deferred income in respect of government grants		(511)	(489)

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

\*\* Representing equity-settled share option expense for the year of approximately HK\$2,007,000 (2020: Nil), net of reversal of the relevant amount of share award to a director that did not ultimately vest ("Award Not Vested") of approximately HK\$318,000 (2020: Nil).

^^ There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

## Notes to Financial Statements

31 December 2021

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	HK\$'000	HK\$'000
Interest on other borrowings	1,200	5
Interest on lease liabilities	73	68
	<b>1,273</b>	73

## 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:

	2021	2020
	HK\$'000	HK\$'000
Fees	710	720
Other emoluments:		
Salaries and other benefits	1,690	1,690
Equity-settled share award expense*	–	288
Equity-settled share option expense	1,236	–
Pension scheme contributions	36	36
	<b>2,962</b>	2,014
	<b>3,672</b>	2,734

\* Excluding the reversal of the relevant amount of share award to a director that did not ultimately vest of approximately HK\$318,000 (2020: Nil), which was credited to profit or loss for the current year.

During the year ended 31 December 2019, 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 27 to the financial statements. The fair value of the share awards, which had 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 prior year was included in the above directors' and chief executive's remuneration disclosures.

During the year, a director was granted share options, in respect of his services to the Group, under a share option scheme of the Company, further details of which are set out in note 27 to the financial statements. The fair value of such options, which has been recognised in profit or loss, 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.

## Notes to Financial Statements

31 December 2021

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

## (a) Independent non-executive directors

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

	2021 HK\$'000	2020 HK\$'000
Mr. Chan Wai Man	240	240
Mr. Siu Hi Lam, Alick	240	240
Mr. Ting Kit Lun ( <i>resigned on 16 August 2021</i> )	150	240
Dr. Ip Wai Hung ( <i>appointed on 1 September 2021</i> )	80	–
	<b>710</b>	<b>720</b>

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

## (b) Executive directors and the chief executive officer

	Salaries and other benefits HK\$'000	Equity- settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2021				
<i>Chairman and an executive director:</i>				
Mr. Dong Choi Chi, Alex	1,300	–	18	1,318
<i>Chief executive officer and an executive director:</i>				
Mr. Chong Cho Lam	390	1,236	18	1,644
	<b>1,690</b>	<b>1,236</b>	<b>36</b>	<b>2,962</b>

## Notes to Financial Statements

31 December 2021

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

## (b) Executive directors and the chief executive officer (continued)

	Salaries and other benefits HK\$'000	Equity- settled share award expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2020				
<i>Chairman and an executive director:</i>				
Mr. Dong Choi Chi, Alex	1,300	–	18	1,318
<i>Chief executive officer and an executive director:</i>				
Mr. Chong Cho Lam	390	288	18	696
	1,690	288	36	2,014

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

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors of the Company (2020: one), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2020: four) highest paid employees who are neither a director nor the chief executive of the Company are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other benefits	2,556	3,102
Equity-settled share option expense	313	–
Pension scheme contributions	54	72
	2,923	3,174

## Notes to Financial Statements

31 December 2021

## 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	
	2021	2020
Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	1	1
	<b>3</b>	<b>4</b>

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 (2020: Nil).

During the year, share options were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, under a share option scheme of the Company, further details of which are set out in note 27 to the financial statements. The fair value of such options, which has been recognised in 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% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax was made in the prior year as the Group did not generate any assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2021	2020
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	12	–
Current – Elsewhere		
Charge for the year	283	196
Total tax charge for the year	<b>295</b>	<b>196</b>

## Notes to Financial Statements

31 December 2021

## 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 principal subsidiaries is located, to the tax charge at the effective tax rate is as follows:

	2021 HK\$'000	2020 HK\$'000
Loss before tax	<b>(71,322)</b>	(30,479)
Tax credit at the Hong Kong statutory tax rate of 16.5% (2020: 16.5%)	<b>(11,768)</b>	(5,029)
Effect of difference in tax rate for specific locations or enacted by local authority	<b>3,007</b>	863
Income not subject to tax	<b>(60)</b>	(128)
Expenses not deductible for tax	<b>4,548</b>	79
Tax losses not recognised	<b>4,576</b>	2,476
Others	<b>(8)</b>	1,935
Tax charge at the Group's effective rate	<b>295</b>	196

## 11. DIVIDEND

The board of directors of the Company does not recommend the payment of any dividend in respect of the year (2020: Nil).

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

The calculation of the basic loss per share amount 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 1,564,263,000 (2020: 1,449,049,000) in issue during the year, as adjusted to reflect the rights issue exercised during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the share options outstanding and the unvested share awards had an anti-dilutive effect on the basic loss per share amounts presented.



## Notes to Financial Statements

31 December 2021

## 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Furniture and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>31 December 2021</b>						
At 1 January 2021:						
Cost	11,506	9,109	5,297	2,432	4,717	33,061
Accumulated depreciation and impairment	(6,188)	(5,038)	(2,728)	(1,827)	(4,140)	(19,921)
Net carrying amount	5,318	4,071	2,569	605	577	13,140
At 1 January 2021, net of accumulated depreciation and impairment	5,318	4,071	2,569	605	577	13,140
Additions	-	2,568	9,434	1,288	124	13,414
Disposals/write off	-	(219)	-	(4)	(4)	(227)
Depreciation provided during the year	(701)	(832)	(1,557)	(449)	(275)	(3,814)
Exchange realignment	172	132	96	7	16	423
At 31 December 2021, net of accumulated depreciation and impairment	4,789	5,720	10,542	1,447	438	22,936
At 31 December 2021:						
Cost	11,938	9,114	14,937	3,724	4,754	44,467
Accumulated depreciation and impairment	(7,149)	(3,394)	(4,395)	(2,277)	(4,316)	(21,531)
Net carrying amount	4,789	5,720	10,542	1,447	438	22,936

## Notes to Financial Statements

31 December 2021

## 13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Furniture and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2020						
At 1 January 2020:						
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
At 1 January 2020, net of accumulated depreciation and impairment						
	5,174	4,530	2,984	1,029	1,103	14,820
Additions	-	926	-	68	320	1,314
Disposals	-	-	-	(56)	-	(56)
Depreciation provided during the year	(177)	(1,575)	(573)	(442)	(875)	(3,642)
Exchange realignment	321	190	158	6	29	704
At 31 December 2020, net of accumulated depreciation and impairment	5,318	4,071	2,569	605	577	13,140
At 31 December 2020:						
Cost	11,506	9,109	5,297	2,432	4,717	33,061
Accumulated depreciation and impairment	(6,188)	(5,038)	(2,728)	(1,827)	(4,140)	(19,921)
Net carrying amount	5,318	4,071	2,569	605	577	13,140

## Notes to Financial Statements

31 December 2021

## 14. LEASES

**The Group as a lessee**

The Group has lease contracts for various office premises and items of equipment used in its operations. Leases of equipment have lease term of 5 years, while office premises generally have lease terms of 1 to 2 years. Generally, the Group is restricted from assigning and subleasing the leased properties outside the Group.

**(a) Right-of-use assets**

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

	Equipment HK\$'000	Office premises HK\$'000	Total HK\$'000
As at 1 January 2020	–	1,834	1,834
Additions	–	245	245
Lease termination	–	(767)	(767)
Depreciation charge	–	(1,168)	(1,168)
Exchange realignment	–	43	43
As at 31 December 2020 and 1 January 2021	–	187	187
Additions	239	5,306	5,545
Depreciation charge	(41)	(1,194)	(1,235)
Exchange realignment	–	3	3
<b>As at 31 December 2021</b>	<b>198</b>	<b>4,302</b>	<b>4,500</b>

## 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:

	Lease liabilities	
	2021	2020
	HK\$'000	HK\$'000
Carrying amount at 1 January	192	1,802
New leases	5,510	245
Lease termination	–	(781)
Accretion of interest recognised during the year	73	68
Payments	(1,348)	(1,186)
Exchange realignment	2	44
Carrying amount at 31 December	4,429	192
Analysed into:		
Current portion	3,011	141
Non-current portion	1,418	51

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

## Notes to Financial Statements

31 December 2021

## 14. LEASES (continued)

**The Group as a lessee** (continued)

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

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities	73	68
Depreciation charge for right-of-use assets	1,235	1,168
Expense relating to short-term leases (included in cost of sales)	537	–
Expense relating to short-term leases (included in general, administrative and other expenses)	1,152	823
Expense relating to leases of low-value assets (included in general, administrative and other expenses)	–	52
Variable lease payments not included in the measurement of leases liabilities (included in cost of sales)	145	–
<b>Total amount recognised in profit or loss</b>	<b>3,142</b>	<b>2,111</b>

(d) The total cash outflow for leases is disclosed in note 31(c) to the financial statements.

## Notes to Financial Statements

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## 15. INTANGIBLE ASSETS

	Licence right HK\$'000	Operating rights HK\$'000	Club membership HK\$'000	Total HK\$'000
<b>31 December 2021</b>				
Cost at 1 January 2021, net of accumulated amortisation and impairment	1,608	9,543	2,820	13,971
Amortisation provided during the year	(223)	–	–	(223)
Impairment during the year	–	–	(550)	(550)
Exchange realignment	–	318	–	318
<b>At 31 December 2021</b>	<b>1,385</b>	<b>9,861</b>	<b>2,270</b>	<b>13,516</b>
<b>At 31 December 2021:</b>				
Cost	2,228	9,861	2,900	14,989
Accumulated amortisation and impairment	(843)	–	(630)	(1,473)
Net carrying amount	1,385	9,861	2,270	13,516
<b>31 December 2020</b>				
At 1 January 2020:				
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
Cost at 1 January 2020, net of accumulated amortisation and impairment	1,831	8,993	2,820	13,644
Amortisation provided during the year	(223)	–	–	(223)
Exchange realignment	–	550	–	550
At 31 December 2020	1,608	9,543	2,820	13,971
<b>At 31 December 2020 and at 1 January 2021:</b>				
Cost	2,228	9,543	2,900	14,671
Accumulated amortisation and impairment	(620)	–	(80)	(700)
Net carrying amount	1,608	9,543	2,820	13,971

## 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 of the asset.

#### ***Club membership***

During the current year, the challenging external environment and the decline in comparable transaction prices were impairment indicators which underpinned an impairment review, resulted in an impairment of HK\$550,000 being recognised for a club membership, as the recoverable amount was lower than its net carrying amount of HK\$2,820,000 at 31 December 2021.

#### ***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 pre-tax discount rate applied to the cash flow projections is 16.4% (2020: 18%). The growth rate used to extrapolate the cash flows of the CGU beyond the five-year period is 3% (2020: 3%).

Assumptions were used in the value-in-use calculation of the CGU as at 31 December 2021 and 31 December 2020. 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.

A reasonably possible change in certain key assumptions on which management has based its determination of the CGU's recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount.

## Notes to Financial Statements

31 December 2021

## 16. INVESTMENT IN AN ASSOCIATE

	2021 HK\$'000	2020 HK\$'000
Share of net assets	–	–

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activity
Sky Brand Three Limited	Ordinary shares	Hong Kong	30%	Operation of entertainment related facilities

The Group's shareholding in the associate is held through an indirectly wholly-owned subsidiary of the Company.

The Group has discontinued the recognition of its share of loss of the associate because the share of loss of the associate exceeded the Group's investment in the associate of HK\$300 (2020: Nil) and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of this associate for the current year and cumulatively were approximately HK\$4,807,000 (2020: Nil) and HK\$4,807,000 (2020: Nil), respectively.

At 31 December 2021, the Group had a loan to the associate of HK\$1,800,000 (2020: Nil). The loan is unsecured, interest-free and repayable on demand. An impairment assessment was performed by the Group at the end of the reporting period, as the credit risk of the loan had increased significantly since initial recognition, after considering relevant available information. Based on the assessment, taking into account, among others, historical information, current conditions and forward-looking credit risk information/forecast of future development and market/economic conditions, as appropriate, the Group had considered it would be unlikely to recover the outstanding amount and, accordingly, a loss allowance for impairment of the entire outstanding loan amount of HK\$1,800,000 (2020: Nil) was recognised for the year and as at the end of the reporting period.



## Notes to Financial Statements

31 December 2021

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

	2021	2020
	HK\$'000	HK\$'000
Investments in concert, other entertainment event, film and TV drama production projects, at fair value:		
Current	11,064	8,545
Non-current	1,345	1,350
As at 31 December	12,409	9,895

The Group's investments in concert, other entertainment event, film and TV drama production projects at 31 December 2021 and 2020 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.

### Investments in film and TV drama production projects

The Group entered into certain investment agreements to invest in the production of a motion picture film and TV drama, which entitled the Group to certain rights in connection with the investments and net profit or loss of the film/TV drama. Pursuant to the respective investment agreements, the Group is entitled to the right to recoup its investment amount and to share certain revenues of the film/TV drama attributable to the Group in accordance with the terms of the investment agreements. Such arrangements are considered by the Group as investments in film and TV drama production projects. The Group measured, at initial recognition, the costs of the investments based on the cash considerations for these investments. Their carrying amounts at the end of the reporting period represented the fair values of the estimated net future cash flows from these investments attributable to the Group.

### Investments in concert and other entertainment event projects

The Group entered into several investment agreements to invest in the production/organisation of certain concerts and other entertainment events, which entitle the Group to, among others, the rights to share the net profit or loss of the respective concerts and entertainment events 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. Their carrying amounts at the end of the reporting period represented the fair values of the estimated net future cash flows from these investments attributable to the Group.

## Notes to Financial Statements

31 December 2021

## 18. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Funeral related merchandises	414	403
Other merchandises	4,640	504
	<b>5,054</b>	907

## 19. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	11,546	8,205
Impairment	(6,558)	(4,300)
	<b>4,988</b>	3,905

The Group's trading terms with its credit sales customers for cremation and funeral business are generally 30 days. For media and entertainment related businesses, 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.

## Notes to Financial Statements

31 December 2021

## 19. TRADE RECEIVABLES (continued)

An ageing analysis of the 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:

	2021 HK\$'000	2020 HK\$'000
Within 30 days	2,177	546
31 to 60 days	490	62
61 to 90 days	704	57
Over 90 days	1,617	3,240
	<b>4,988</b>	3,905

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

	2021 HK\$'000	2020 HK\$'000
At beginning of year	4,300	44
Impairment losses, net (note 6)	2,258	4,256
At end of year	<b>6,558</b>	4,300

An impairment analysis is performed at each reporting date using a probability of default approach to measure expected credit losses. The probabilities of default are estimated based on certain comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information/forecasts of future economic conditions. As at 31 December 2021, the probability of default applied ranged from 1.43% to 100% (2020: 0.24% to 100%) and the loss given default was estimated to be ranged from 61.7% to 100% (2020: 62.14% to 62.34%).

The increase in the loss allowance for the current year was mainly due to an increase in the gross carrying amount of trade receivables which were past due for certain periods.

## Notes to Financial Statements

31 December 2021

## 20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Prepayments	21,413	25,250
Deposits	1,010	2,609
Other receivables*	25,091	19,180
	<b>47,514</b>	47,039
Impairment allowance	<b>(15,923)</b>	(4,214)
	<b>31,591</b>	42,825
Less: Non-current portion	<b>(12,306)</b>	(10,571)
Current portion	<b>19,285</b>	32,254

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

	2021 HK\$'000	2020 HK\$'000
At beginning of year	4,214	6,836
Amount written off as uncollectible	–	(6,127)
Impairment losses, net (note 6)	11,662	3,505
Exchange realignment	47	–
At end of year	<b>15,923</b>	4,214

\* Included in the Group's other receivables are amount due from a related company of approximately HK\$1,096,000 as at 31 December 2021 (2020: HK\$1,076,000) which is unsecured, non-interest-bearing and repayable on demand. An executive director of the Company is a beneficial owner of the related company.

For financial assets included above, where applicable, an impairment analysis is performed at each reporting date by considering the probability of default. As at 31 December 2021, the probability of default applied ranged from 0.17% to 100% (2020: 10.93% to 100%) and the loss given default was estimated to be ranged from 59.4% to 100% (2020: 62.34%).

The increase in the loss allowance for the current year was mainly due to an increase in the gross carrying amount of other receivables which were past due for certain periods.

## Notes to Financial Statements

31 December 2021

## 21. CASH AND CASH EQUIVALENTS

	2021	2020
	HK\$'000	HK\$'000
Cash and bank balances	<b>114,644</b>	34,037

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$3,067,000 (2020: HK\$2,442,000). 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 relevant deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 22. TRADE PAYABLES, OTHER PAYABLES, ACCRUALS AND OTHER FINANCIAL LIABILITIES

	Notes	2021	2020
		HK\$'000	HK\$'000
Trade payables	(a)	<b>3,703</b>	4,882
Contract liabilities	(b)	<b>3,058</b>	917
Other payables and accruals	(c)	<b>21,548</b>	14,179
Financial liabilities at fair value through profit or loss	(d)	<b>6,528</b>	3,504
		<b>34,837</b>	23,482

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:

	2021	2020
	HK\$'000	HK\$'000
Within 30 days	<b>860</b>	35
31 to 60 days	<b>41</b>	28
61 to 90 days	<b>79</b>	11
Over 90 days	<b>2,723</b>	4,808
	<b>3,703</b>	4,882

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

## Notes to Financial Statements

31 December 2021

## 22. TRADE PAYABLES, OTHER PAYABLES, ACCRUALS AND OTHER FINANCIAL LIABILITIES (continued)

Notes:

(b) Detail of contract liabilities are as follows:

	31 December 2021 HK\$'000	31 December 2020 HK\$'000	1 January 2020 HK\$'000
Short-term advances received from customers:			
Funeral related services	307	307	307
Media and entertainment related services	2,751	610	–
	<b>3,058</b>	917	307

Contract liabilities include short-term advances received to deliver funeral related services and media and entertainment related services. The increase in contract liabilities in 2021 and 2020 was mainly due to the increase in short-term advances received from customers in relation to the provision of media and entertainment related services at the end of the reporting period.

- (c) Included in the Group's other payables are amounts due to a non-controlling shareholder of a subsidiary and related companies of approximately HK\$853,000 (2020: Nil) and HK\$3,896,000 (2020: HK\$4,422,000), respectively, which are unsecured, non-interest-bearing and repayable on demand. An executive director of the Company is a beneficial owner of the related companies. 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 organised/to be organised by the Group. In accordance with the terms of the respective agreements, the investors are entitled to the rights to recoup their investment amounts as appropriate and to share the 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, as 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, which are 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 grouping is provided internally on that basis. The net changes in fair values of these financial liabilities during the year of HK\$1,511,000 (2020: HK\$404,000) were credited to profit or loss.

## Notes to Financial Statements

31 December 2021

## 23. OTHER BORROWING

	Note	2021		2020	
		Maturity	HK\$'000	Maturity	HK\$'000
<b>Non-current</b>					
Other borrowing – unsecured	(i)	2025	35,000	2025	20,000

Note:

- (i) As at 31 December 2021, the Group had certain revolving loan facilities (the “Loan Facilities”) from Mr. Chau Cheok Wa, a substantial shareholder of the Company up to a principal amount of HK\$100,000,000 (2020: HK\$100,000,000), of which a loan with an aggregate principal amount of HK\$35,000,000 (2020: HK\$20,000,000) was drawn down and outstanding, which is repayable on the fifth anniversary of the first drawdown date (or such later date as may be agreed by the lender and the borrower). The Group’s other borrowing as at 31 December 2021 represented a loan from the substantial shareholder of the Company drawn down under the Loan Facilities, which is unsecured and bears interest at 3.5% (2020: 3.5%) per annum. It is denominated in HK\$.

## 24. DEFERRED INCOME

	2021	2020
	HK\$'000	HK\$'000
Deferred income*	3,409	2,455
Less: Non-current portion	(2,695)	(1,957)
Current portion	714	498

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

## Notes to Financial Statements

31 December 2021

## 25. DEFERRED TAX

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

**Deferred tax liabilities****2021**

	Fair value adjustments arising from acquisition of subsidiaries HK\$'000
At 1 January 2021	2,386
Exchange realignment	–
Gross deferred tax liabilities at 31 December 2021	<b>2,386</b>

**2020**

	Fair value adjustments arising from acquisition of subsidiaries HK\$'000
At 1 January 2020	2,248
Exchange realignment	138
Gross deferred tax liabilities at 31 December 2020	<b>2,386</b>

The Group has tax losses arising in Hong Kong of approximately HK\$109,444,000 (2020: HK\$81,709,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits arising in Hong Kong of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of approximately HK\$15,049,000 (2020: HK\$15,049,000), subject to the agreement by relevant PRC tax authorities, that will expire in one to four years for offsetting against future taxable profits of the companies in which the losses arose.



## Notes to Financial Statements

31 December 2021

## 25. DEFERRED TAX (continued)

**Deferred tax liabilities** (continued)

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 or due to the unpredictable future taxable profit streams of the relevant entities and, in the opinion of the Company's directors, it is currently not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 26. ISSUED CAPITAL

**Shares**

	2021 HK\$'000	2020 HK\$'000
Authorised:		
3,200,000,000 (2020: 3,200,000,000) shares of HK\$0.025 each	<b>80,000</b>	80,000
Issued and fully paid:		
2,096,015,671 (2020: 1,250,798,007) ordinary shares of HK\$0.025 each	<b>52,400</b>	31,270

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

	Number of shares in issue '000	Issued capital HK\$'000	Shares premium HK\$'000
At 1 January 2020, 31 December 2020 and 1 January 2021	<b>1,250,798</b>	<b>31,270</b>	<b>350,143</b>
Rights issue (note (a))	<b>845,218</b>	<b>21,130</b>	<b>95,303</b>
At 31 December 2021	<b>2,096,016</b>	<b>52,400</b>	<b>445,446</b>

Note:

- (a) A rights issue of four rights shares for every five existing shares held by shareholders on the register of members on 20 September 2021 was made, at an issue price of HK\$0.14 per rights share, resulting in the issue of 845,217,664 shares for a total cash consideration, before expenses, of approximately HK\$118,330,000.

**Notes to Financial Statements***31 December 2021***27. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME****Share option schemes**

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

Pursuant to the share option scheme adopted by the Company on 22 October 2001 (the "2001 Scheme") and on 31 August 2011 (the "2011 Scheme"), the Company might grant options to the eligible participants to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. The 2001 Scheme and 2011 Scheme expired on 21 October 2011 and 30 August 2021, respectively, and the Group has stopped granting share options under the 2001 Scheme and 2011 Scheme since then.

The Company adopted a new share option scheme (the "New Share Option Scheme") on 15 September 2021, whereby the directors may at their discretion grant options to (i) any directors, whether executive or non-executive and whether independent or not, of the Group; (ii) full time or part time employees of the Group; and (iii) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers or distributors 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 New Share Option Scheme became effective after the adoption and, unless otherwise cancelled/amended, will remain in force for 10 years from the effective date.

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.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

## Notes to Financial Statements

31 December 2021

## 27. 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:

	2021		2020	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At 1 January	0.740	16,300,000	0.740	16,800,000
Granted during the year	0.296	99,000,000	–	–
Adjustment arising from the rights issue (note 26 (a))		31,592,200	–	–
Cancelled/lapsed during the year	–	–	0.740	(500,000)
At 31 December	0.281	146,892,200	0.740	16,300,000

## Notes to Financial Statements

31 December 2021

## 27. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (continued)

## Share option schemes (continued)

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

## 2021

Immediately before completion of the rights issue		Immediately after completion of the rights issue		Exercise period
Number of outstanding share options	Exercise price per share HK\$	Adjusted number of outstanding share options	Adjusted exercise price per share HK\$	
16,300,000	0.740	20,766,200	0.581	12 July 2019 – 11 July 2029
48,500,000	0.296	61,789,000	0.232	12 April 2021 – 11 April 2024
50,500,000	0.296	64,337,000	0.232	12 April 2022 – 11 April 2025
<b>115,300,000</b>		<b>146,892,200</b>		

## 2020

Number of options	Exercise price* HK\$ per share	Exercise period
16,300,000	0.740	12 July 2019 – 11 July 2029

\* The exercise price of the share options granted in prior year was adjusted to HK\$0.581 following the rights issue on 20 September 2021.

## Notes to Financial Statements

31 December 2021

## 27. 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:

	2021 April
Dividend yield (%)	–
Expected volatility (%)	84.12%-81.14%
Historical volatility (%)	84.12%-81.14%
Risk-free interest rate (%)	0.32%-0.57%
Expected life of options (year)	3-4
Weighted average share price (HK\$ per share)	0.296

The expected life of the options is based on the historical exercise patterns, if appropriate, 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 Company's 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.

48,500,000 share options without any vesting conditions and 50,500,000 share options with certain vesting conditions were granted during the year before the rights issue. No share options were exercised during the year ended 31 December 2021 (2020: Nil). The fair value of the share options granted during the year ended 31 December 2021 was HK\$13,362,000 (HK\$0.135 each (before the rights issue)), of which the Group recognised a share option expense of HK\$11,375,000 (2020: Nil) during the year ended 31 December 2021.

At the end of reporting period, the Company had 146,892,200 share options outstanding and exercisable (after the rights issue) 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 146,892,200 additional ordinary shares of the Company and additional issued capital of approximately HK\$3,672,000 and share premium of approximately HK\$37,605,000 (before issue expense).

At the date of approval of these financial statements, the Company had 146,892,200 share options outstanding under the New Share Option Scheme, which represented approximately 7.0% of the Company's shares in issue as at that date.

**Notes to Financial Statements**

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**27. 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 persons 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 persons 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 of the Company. 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 ended 31 December 2019, 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 of the Company (the "Director") 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 conditions and such award would lapse if the performance-based vesting conditions could not be met within 3 years from the grant date.

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 HK\$288,000 for the year ended 31 December 2020. During the year, 1,000,000 Awarded Shares ultimately not vested were lapsed/forfeited and the related share-based payment expense previously recognised of HK\$318,000 was reversed and credited to profit or loss for the current year.

## Notes to Financial Statements

31 December 2021

## 27. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (continued)

**Share award scheme** (continued)

During the year ended 31 December 2019, the Group purchased 2,600,000 shares of the Company through the Trustee (the "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 ended 31 December 2019 when his 2,000,000 Awarded Shares were vested.

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

	2021		2020	
	Weighted average fair value at grant date per share HK\$	Number of unvested Awarded Shares	Weighted average fair value at grant date per share HK\$	Number of unvested Awarded Shares
At 1 January	0.65	1,000,000	0.65	1,000,000
Lapsed/forfeited during the year	0.65	(1,000,000)	–	–
At 31 December	–	–	0.65	1,000,000

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

	2021		2020	
	Number of ordinary shares	Shares Held Under the Share Award Scheme HK\$'000	Number of ordinary shares	Shares Held Under the Share Award Scheme HK\$'000
At 1 January and 31 December	600,000	391	600,000	391

**Notes to Financial Statements**

31 December 2021

**28. OTHER SHARE-BASED PAYMENT ARRANGEMENT AND PROFIT GUARANTEE**

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 businesses of the Group from time to time over an original three-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 original three-year cooperation 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 security to the obligations of the Consultant under the Agreement. During the year, the cooperation period was extended to 31 December 2024 (the “Extension”).

In consideration of the Services to be provided during the 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 share-based payments for (i) the prepayment of Services to be provided by the Consultant, which was initially 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*.



**Notes to Financial Statements**

31 December 2021

**28. OTHER SHARE-BASED PAYMENT ARRANGEMENT AND PROFIT GUARANTEE**  
(continued)

Given the specific nature of the Services and the Arrangement, management considered that there was no available market price for the Services at the Measurement Date. Management also considered that 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 that 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 profit 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 at the Measurement Date. 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 day.

The fair value of the share-based payment was initially recognised as a prepayment for the Services not yet rendered and the cost of such prepayment will be charged to profit or loss when the Services are rendered over the 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 during the year ended 31 December 2019. During the prior year, the Group recognised strategic cooperation expense of approximately HK\$3,600,000 in respect of the Services provided by the Consultant to the Group (the nature and amount of which for that year were agreed by the two parties, with a corresponding reduction in the prepayment under the Arrangement). Due to the COVID-19 pandemic and related disruptions, the Services provided during the current year is considered to be minimal. As a result of this and coupled with the Extension, the consumption, if any, of the economic benefits that underlie the prepayment is also considered by management to be minimal and no corresponding expense was recognised in profit or loss for the current year.

For the Profit Guarantee, the Group estimated its fair values as at 31 December 2021 and 2020 with reference to certain production cost estimates of potential future Shows during the remaining profit 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 professional qualified external valuers. Based on such estimations and measurements, in the opinion of the directors, there would not be any material shortfall in the Guaranteed Profit and the fair values of the Profit Guarantee as at 31 December 2021 and 2020 were both estimated to be negligible.

**Notes to Financial Statements***31 December 2021***29. 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 71.

**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 amount as follows: (i) the entire amount standing to the credit balance of the share premium account of the Company of HK\$59,873,000 was 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) the Company offset its 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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### 30. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2021	2020
Percentage of equity interest held by non-controlling interests:		
Huai Ji	30%	30%
Black Sesame	30%	30%
Black Sesame (Beijing)	30%	30%

	2021	2020
	HK\$'000	HK\$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Huai Ji	101	392
Black Sesame	(13)	(163)
Black Sesame (Beijing)	(421)	(363)

	2021	2020
	HK\$'000	HK\$'000
Accumulated balances of non-controlling interests at the reporting date:		
Huai Ji	6,196	6,008
Black Sesame	914	927
Black Sesame (Beijing)	(5,663)	(5,172)

## Notes to Financial Statements

31 December 2021

## 30. 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 and excluded any impact thereon arising from related business combinations:

	Huai Ji HK\$'000	Black Sesame HK\$'000	Black Sesame (Beijing) HK\$'000
2021			
Revenue	14,517	1,200	9
Total expenses	(14,181)	(1,243)	(1,412)
Profit/(loss) for the year	336	(43)	(1,403)
Total comprehensive income/(loss) for the year	627	(43)	(1,635)
Current assets	5,386	7,583	411
Non-current assets	23,175	10,978	91
Current liabilities	(1,477)	(15,512)	(8,395)
Non-current liabilities	(5,081)	–	–
Net cash flows from/(used in) operating activities	1,590	475	(196)
Net cash flows used in investing activities	(1,957)	–	–
Net cash flows from/(used in) financing activities	–	251	(95)
Net increase/(decrease) in cash and cash equivalents	(367)	726	(291)

## Notes to Financial Statements

31 December 2021

## 30. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

	Huai Ji HK\$'000	Black Sesame HK\$'000	Black Sesame (Beijing) HK\$'000
2020			
Revenue	11,920	380	38
Total expenses	(10,613)	(922)	(1,249)
Profit/(loss) for the year	1,307	(542)	(1,211)
Total comprehensive income/(loss) for the year	2,532	(542)	(1,568)
Current assets	5,511	7,319	1,761
Non-current assets	21,604	10,978	42
Current liabilities	(1,396)	(15,205)	(8,061)
Non-current liabilities	(4,343)	–	–
Net cash flows from/(used in) operating activities	2,580	29	(684)
Net cash flows used in investing activities	(1,272)	–	–
Net cash flows from/(used in) financing activities	–	179	(337)
Net increase/(decrease) in cash and cash equivalents	1,308	208	(1,021)

## Notes to Financial Statements

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## 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

## (a) Major non-cash transactions

- (i) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$5,510,000 (2020: HK\$245,000) and HK\$5,510,000 (2020: HK\$245,000), respectively, in respect lease arrangements for certain leased properties and equipment.
- (ii) During the year, certain property, plant and equipment were contributed by non-controlling interests as a capital injection amounting to HK\$2,400,000 (2020: Nil), with a corresponding increase in non-controlling interests.
- (iii) During the year ended 31 December 2020, the Group had non-cash termination of an existing lease resulting in a derecognition of right-of-use assets and lease liabilities of HK\$767,000 and HK\$781,000, respectively, and corresponding recognition of a gain on lease termination of HK\$14,000, in respect of a lease arrangement for a leased property.

## (b) Changes in liabilities arising from financing activities

2021

	Lease liabilities HK\$'000	Other borrowing HK\$'000
At 1 January 2021	192	20,000
Changes from financing cash flows	(1,348)	15,000
New leases	5,510	–
Foreign exchange movement	2	–
Interest expense	73	–
At 31 December 2021	4,429	35,000

## Notes to Financial Statements

31 December 2021

## 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

## (b) Changes in liabilities arising from financing activities (continued)

2020

	Lease liabilities HK\$'000	Other borrowing HK\$'000
At 1 January 2020	1,802	335
Changes from financing cash flows	(1,186)	19,665
New leases	245	–
Lease termination	(781)	–
Foreign exchange movement	44	–
Interest expense	68	–
At 31 December 2020	192	20,000

## (c) Total cash outflow for leases

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

	2021 HK\$'000	2020 HK\$'000
Within operating activities	1,834	875
Within financing activities	1,348	1,186
	3,182	2,061

## Notes to Financial Statements

31 December 2021

## 32. 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	2021 HK\$'000	2020 HK\$'000
Related parties:			
Service fee received	(i)	210	360
Lease payments	(ii)	222	60
Share of net income from a concert organised by a related company to the Group	(iii)	–	846
Interest on other borrowing	(iv)	1,200	5
Service fee paid	(v)	–	395
Artiste fees paid/payable to a related party	(vi)	(148)	137
Artiste fees paid/payable to a related company	(vii)	–	2,139
Handling fee income	(viii)	290	–
License fee income	(ix)	437	–
Management fee paid	(x)	375	–
Human resources service fees paid	(xi)	3,502	–

## Notes:

- (i) The service fees were charged to certain related companies based on terms agreed between the relevant parties. A director of the Company is a beneficial owner of the related companies.
- (ii) During the current and prior years, the Group had certain lease arrangements (“Lease Arrangements”) with lease terms ranging from 14 to 24 months with related companies (the “lessors”), in which an executive director of the Company is a beneficial owner of the related companies. The right-of-use assets and the lease liabilities in connection with the Lease Arrangements of approximately HK\$780,000 (2020: HK\$187,000) and HK\$834,000 (2020: HK\$193,000), respectively, were recognised in the consolidated statement of financial position of the Group as at 31 December 2021.
- (iii) The share of net income was based on terms agreed between the relevant parties. A director of the Company is a beneficial owner of the related company.
- (iv) The interest on other borrowing in respect of a loan from a substantial shareholder of the Company was charged in accordance with an agreement entered into between the relevant parties (note 23). The loan was drawn down under certain revolving loan facilities in the principal sum of up to HK\$100,000,000 granted by the substantial shareholder of the Company to the Group during the prior year.
- (v) The service fee was charged by a related company based on terms agreed between the relevant parties. A director of the Company is a beneficial owner of the related company.
- (vi) The artiste fees were charged in accordance with an 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 the Company.
- (vii) The artiste fees were charged based on terms agreed between the relevant parties. A director of the Company is a beneficial owner of the related company.
- (viii) The handling fee income was charged to certain related companies based on terms agreed between the relevant parties. A director of the Company is a beneficial owner of the related companies.
- (ix) The license fee income was charged to a non-controlling shareholder of a subsidiary based on terms agreed between the relevant parties.
- (x) The management fee was charged by a non-controlling shareholder of a subsidiary based on terms agreed between the relevant parties.
- (xi) The human resources service fees were charged by certain related companies based on terms agreed between the relevant parties. A non-controlling shareholder of a subsidiary is a beneficial owner of the related companies.



## Notes to Financial Statements

31 December 2021

## 32. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group:

	2021	2020
	HK\$'000	HK\$'000
Short term employee benefits	3,647	3,657
Equity-settled share-based payment expense	1,361*	288
Pension scheme contributions	54	54
<b>Total compensation paid to key management personnel</b>	<b>5,062</b>	<b>3,999</b>

\* Excluding the reversal of Award Not Vested.

Further details of the directors' and chief executive's emoluments are included in note 8 to the financial statements.

## 33. 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:

## 2021

*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, film and TV drama production projects	12,409	-	12,409
Trade receivables	-	4,988	4,988
Financial assets included in prepayments, deposits and other receivables	-	10,178	10,178
Cash and cash equivalents	-	114,644	114,644
	<b>12,409</b>	<b>129,810</b>	<b>142,219</b>

## Notes to Financial Statements

31 December 2021

## 33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2021

*Financial liabilities*

	Financial liabilities at fair value through profit or loss** HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
Trade payables	-	3,703	3,703
Financial liabilities included in other payables, accruals and other financial liabilities	6,528	20,004	26,532
Other borrowing	-	35,000	35,000
Lease liabilities	-	4,429	4,429
	6,528	63,136	69,664

\* Mandatorily designated as such

\*\* Designated as such upon initial recognition

2020

*Financial assets*

	Financial assets at fair value through profit or loss* HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
Investments in concert, other entertainment event, film and TV drama production projects	9,895	-	9,895
Trade receivables	-	3,905	3,905
Financial assets included in prepayments, deposits and other receivables	-	17,575	17,575
Cash and cash equivalents	-	34,037	34,037
	9,895	55,517	65,412

## Notes to Financial Statements

31 December 2021

## 33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2020

*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	–	4,882	4,882
Financial liabilities included in other payables, accruals and other financial liabilities	3,504	13,183	16,687
Other borrowing	–	20,000	20,000
Lease liabilities	–	192	192
	3,504	38,257	41,761

\* Mandatorily designated as such

\*\* Designated as such upon initial recognition

## 34. 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	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b>				
Investments in concert, other entertainment event, film and TV drama production projects	12,409	9,895	12,409	9,895
Profit Guarantee	–	–	–	–
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	6,528	3,504	6,528	3,504

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets at amortised cost included in prepayments, deposits and other receivables, trade payables, financial liabilities at amortised cost included in other payables and accruals, and other borrowing 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 fair values of the non-current portion of financial assets included in prepayments and deposits and other borrowing have calculated and assessed mainly by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, as appropriate. The changes in fair value as a result of the Group's own non-performance risk for other borrowing as at 31 December 2021 and 31 December 2020 were assessed to be insignificant.

## Notes to Financial Statements

31 December 2021

### 34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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.

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 of certain financial instruments:

For the Group's investments/investments made by certain investors in certain concert and other entertainment event 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/the investors. For investments in certain concert and other entertainment event 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 the investments in film and TV drama production projects, their fair value at 31 December 2021 was estimated with reference to the projected cash flow forecast.

For the Profit Guarantee, its fair value is estimated with reference to certain estimated production cost estimates of certain potential future Shows during the profit 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:

#### Assets measured at fair value:

As at 31 December 2021

	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:				
Investments in concert, other entertainment event, film and TV drama production projects	–	–	12,409	12,409
Profit Guarantee (Level 3)	–	–	–	–
	–	–	12,409	12,409

## Notes to Financial Statements

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### 34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

#### Fair value hierarchy (continued)

#### Assets measured at fair value: (continued)

As at 31 December 2020

	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:				
Investments in concert, other entertainment event, film and TV drama production projects	–	–	9,895	9,895
Profit Guarantee (Level 3)	–	–	–	–
	–	–	9,895	9,895

The movements in fair value measurements within Level 3 during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
Financial assets at fair value through profit or loss:		
At 1 January	9,895	21,374
Net gain/(loss) recognised in profit or loss	(1,324)	181
Additions	6,908	10,492
Settlements	(3,165)	(22,152)
Exchange realignment	95	–
At 31 December	12,409	9,895

## Notes to Financial Statements

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34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS  
(continued)**Fair value hierarchy** (continued)**Assets measured at fair value:** (continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021 and 2020:

	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Income approach, discounted cash flow method	Discount rates Range: 0.14% to 15.6% (2020: 0.14% to 13.5%)	5% (2020: 5%) increase/decrease in discount rate would result in decrease/increase in fair value by HK\$103,000 (2020: HK\$96,000)
Profit Guarantee	Income approach, discounted cash flow method	Expected ticket sales performance	5% (2020: 5%) decrease in expected ticket sales performance would result in increase in fair value by HK\$1,375,000 (2020: HK\$2,936,000)
		Expected production costs	6% (2020: 5%) increase in expected production costs would result in increase in fair value by HK\$1,404,000 (2020: HK\$1,538,000)

**Liabilities measured at fair value:**  
As at 31 December 2021

	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 (note 22)	–	–	6,528	6,528

As at 31 December 2020

	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 (note 22)	–	–	3,504	3,504

## Notes to Financial Statements

31 December 2021

### 34. 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:

	2021	2020
	HK\$'000	HK\$'000
Financial liabilities at fair value through profit or loss:		
At 1 January	3,504	24,983
Net gain recognised in profit or loss	(1,511)	(404)
Additions	8,152	3,838
Settlements	(3,654)	(24,913)
Exchange realignment	37	–
At 31 December	6,528	3,504

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 (2020: Nil).

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise other borrowing, lease liabilities 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 investments in concert, other entertainment event, film and TV drama 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 credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks and they are summarised below.

#### 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 by management on an ongoing basis.

## Notes to Financial Statements

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## 35. 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. The amounts presented are gross carrying amounts for financial assets.

**As at 31 December 2021**

	12-month		Lifetime ECLs		Total HK\$'000
	ECLs				
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Trade receivables*	-	-	-	11,546	11,546
Financial assets included in prepayments, deposits and other receivables					
– Normal**	10,216	-	-	-	10,216
– Doubtful**	-	-	15,885	-	15,885
Loan to an associate	-	-	1,800	-	1,800
Cash and cash equivalents					
– Not yet past due	114,644	-	-	-	114,644
	124,860	-	17,685	11,546	154,091



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## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

## Maximum exposure and year-end staging (continued)

As at 31 December 2020

	12-month		Lifetime ECLs			Total HK\$'000
	ECLs					
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000		
Trade receivables*	-	-	-	8,205	8,205	
Financial assets included in prepayments, deposits and other receivables						
– Normal**	6,339	10,648	-	-	16,987	
– Doubtful**	-	-	4,802	-	4,802	
Cash and cash equivalents						
– Not yet past due	34,037	-	-	-	34,037	
	40,376	10,648	4,802	8,205	64,031	

\* For trade receivables to which the Group applies the simplified approach for impairment, further detailed 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”.

Concentration of credit risk are managed by customer/counterparty. At the end of the reporting period, the Group had certain concentrations of credit risk as 50% (2020: 75%) of the Group’s trade receivables were due from the Group’s largest debtor.

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31 December 2021

## 35. 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 Group's objective is to maintain a balance between continuity of funding and flexibility through debt financing (for example, other borrowing) and equity financing.

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:

**2021**

	Less than 1 year HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Trade payables	3,703	–	3,703
Financial liabilities included in other payables and accruals	26,532	–	26,532
Other borrowing	1,225	38,675	39,900
Lease liabilities	3,117	1,441	4,558
	<b>34,577</b>	<b>40,116</b>	<b>74,693</b>

## 2020

	Less than 1 year HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Trade payables	4,882	–	4,882
Financial liabilities included in other payables and accruals	16,687	–	16,687
Other borrowing	700	22,800	23,500
Lease liabilities	147	53	200
	<b>22,416</b>	<b>22,853</b>	<b>45,269</b>

## Notes to Financial Statements

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## 35. 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 2021 and 31 December 2020.

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 2021 and 31 December 2020 were as follows:

	2021	2020
	HK\$'000	HK\$'000
Current liabilities	<b>45,887</b>	31,550
Non-current liabilities	<b>41,499</b>	24,394
Total liabilities	<b>87,386</b>	55,944
Equity attributable to owners of the Company	<b>120,542</b>	61,355
Gearing ratio	<b>72.49%</b>	91.18%

## Notes to Financial Statements

31 December 2021

## 36. 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:

	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	145	145
CURRENT ASSETS		
Due from subsidiaries	104,243	155,120
Other receivables	182	2,177
Cash and cash equivalents	94,685	21,413
Total current assets	199,110	178,710
CURRENT LIABILITIES		
Other payables and accruals	3,608	2,646
Due to subsidiaries	3,826	2,640
Total current liabilities	7,434	5,286
NET CURRENT ASSETS	191,676	173,424
TOTAL ASSETS LESS CURRENT LIABILITIES	191,821	173,569
NON-CURRENT LIABILITY		
Other borrowing	35,000	20,000
Net assets	156,821	153,569
EQUITY		
Issued capital	52,400	31,270
Reserves (note)	104,421	122,299
Total equity	156,821	153,569

continued/...

## Notes to Financial Statements

31 December 2021

## 36. 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 2020	350,143	31,713	7,123	(391)	(261,043)	127,545
Loss and total comprehensive loss for the year	-	-	-	-	(5,534)	(5,534)
Equity-settled share award arrangement	-	-	288	-	-	288
At 31 December 2020 and 1 January 2021	350,143	31,713	7,411	(391)	(266,577)	122,299
Loss and total comprehensive loss for the year	-	-	-	-	(124,238)	(124,238)
Issue of shares	97,200	-	-	-	-	97,200
Share issue expense	(1,897)	-	-	-	-	(1,897)
Equity-settled share option arrangements	-	-	11,375	-	-	11,375
Equity-settled share award arrangements	-	-	(318)	-	-	(318)
At 31 December 2021	445,446	31,713	18,468	(391)	(390,815)	104,421

## 37. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified/re-grouped/restated to conform with the current's presentation.

## 38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 28 March 2022.

## Five Years Financial Highlights

The following table summarises the revenue, results, assets and liabilities of the Group for the last five financial years as extracted from the published audited financial statements:

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
REVENUE	<b>49,029</b>	29,095	126,247	155,678	94,497
LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY	<b>(69,142)</b>	(30,541)	(49,122)	(8,260)	(19,641)
TOTAL ASSETS	<b>209,706</b>	118,935	149,088	138,999	115,159
TOTAL LIABILITIES	<b>(87,386)</b>	(55,944)	(57,376)	(29,830)	(20,868)
NET ASSETS	<b>122,320</b>	62,991	91,712	109,169	94,291