



YEAH YEAH
GROUP

YEAH YEAH

ANNUAL REPORT 2022 **GROUP**

HOLDINGS LIMITED

STOCK CODE 8082

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 Yeah Yeah Group Holdings 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 Yeah Yeah Group Holdings 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
Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick

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
Mr. Siu Hi Lam, Alick

NOMINATION COMMITTEE

Dr. Ip Wai Hung (*Chairman*)
Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick

REMUNERATION COMMITTEE

Mr. Siu Hi Lam, Alick (*Chairman*)
Mr. Chan Wai Man
Dr. Ip Wai Hung

RISK MANAGEMENT COMMITTEE

(Risk management committee was combined
with audit committee in March 2022)

Dr. Ip Wai Hung (*Chairman*)
Mr. Chong Cho Lam
Mr. Jip Ki Chi

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

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Hamilton HM11 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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PRINCIPAL SHARE REGISTRAR

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41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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PRINCIPAL BANKERS

Bank of Communication (Hong Kong) Limited

STOCK CODE

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Chairman's Statement

On behalf of the board of directors of Yeah Yeah Group Holdings Limited, I am pleased to present the Group's annual report for the financial year ended 31 December 2022. The year 2022 was another difficult year for the Group due to the fifth wave of Covid-19. The Group's turnover decreased by approximately 27.07% to HK\$35.76 million (2021: HK\$49.03 million), the continuously outbreak and delay in reopening border seriously affect our businesses. The Group recorded a loss for the year of approximately HK\$62.59 million (2021: loss for the year of approximately HK\$71.62 million). Loss attributable to owners of the Company was approximately HK\$58.45 million (2021: approximately HK\$69.14 million). As at 31 December 2022, the Group's equity attributable to owners of the Company amounted to approximately HK\$62.54 million (2021: approximately HK\$120.54 million) and the net asset value per share was HK\$0.030 (2021: HK\$0.058).

OUTLOOK

In year 2022, due to the outbreak of COVID-19, the operating segment of our concert performance and event organisation was severely affected and did not perform well during the period. Following a disruptive year of 2022, Hong Kong and Macau was embracing a fast and explosive COVID reopening from January 2023. The economy outlook of Hong Kong and Macau in 2023 is upbeat and our business will benefit from the relaxation of pandemic control measures and progressive re-opening of borders.

According to the Company announcement dated 17 March 2023 regarding the issue of new shares to certain consultants for strategic cooperation in the Company businesses, the Group will continue to actively seek investment opportunities and strategic partnership that are related and/or creating synergies to the Group's existing businesses and generate greatest returns for its shareholders and reward their long-term support.

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

29 March 2023

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, 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\$35,758,000 which was 27.07% lower than the corresponding period of last year of approximately HK\$49,029,000. The decrease in revenue was mainly due to the media and entertainment businesses have been affected by the outbreak of the fifth wave of the COVID-19 pandemic in Hong Kong and the tightening of the social distancing measures by government during the first half year of 2022, which caused the cancellation and postponement of some entertainment events. Furthermore, the Group organised less entertainment events during the year.

Other income and gains

Other income and gains increased from approximately HK\$1,101,000 to approximately HK\$1,432,000. Such increase was mainly attributable to the government subsidies of approximately HK\$611,000 received during the year.

Selling, marketing and distribution expenses

Selling, marketing and distribution expenses for the year ended 31 December 2022 were approximately HK\$9,419,000, which was 21.14% higher than the amount of corresponding period of last year of approximately HK\$7,775,000. The increase was due to payroll for more sales and marketing staff hired and sales commission paid during the year. Such expenses as a percentage of revenue for the year was approximately 26.34% (2021: 15.86%).

General, administrative and other expenses

General, administrative and other expenses for the year ended 31 December 2022 amounted to approximately HK\$58,548,000 which was 13.97% higher than the amount for the corresponding period of last year of approximately HK\$51,373,000. The increase was primarily attributable to (i) impairment of property, plant and equipment of approximately HK\$2,680,000; and (ii) an overall increase in employee benefit expense.

Loss for the year

The Group's loss for the year was approximately HK\$62,592,000 (2021: HK\$71,617,000). The decrease in loss for the year was mainly due to a substantial decrease in impairment losses of trade and other receivables during the year.

Media and entertainment businesses

During the year ended 31 December 2022, the total revenue from media and entertainment businesses was approximately HK\$16,070,000, which was 54.01% lower than that of the corresponding period of last year of approximately HK\$34,939,000. The decrease was mainly due to less entertainment events organised during the year. During the year, revenues were mainly derived from organisation of concert and other entertainment events, sponsorship income, and artiste management and performance, while offset by negative return on investments in concert, other entertainment event, film and TV drama production projects. The Group organised 2 concerts (2021: 1 concert); organised nil exhibition (2021: 3 exhibitions); organised nil drama (2021: 1); and organised nil pop-up stores (2021: 7 stores) during the year.

Cremation and funeral services businesses

Cremation, funeral and related business operations were enhanced during the year ended 31 December 2022 and their total revenue for the year (including relevant government subsidies recognised) was approximately HK\$19,688,000, which was 39.73% higher than that of the corresponding period of last year of approximately HK\$14,090,000. The increase was mainly due to (i) more customers used the high-grade cremation services; (ii) some new value-added funeral services were launched during the year; and (iii) revenue contributed by pet funeral services in Hong Kong.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had cash and cash equivalents of approximately HK\$47,490,000 (31 December 2021: HK\$114,644,000) and the total assets of the Group were approximately HK\$143,684,000 (31 December 2021: HK\$209,706,000). As at 31 December 2022, the net current assets of the Group were approximately HK\$50,351,000 (31 December 2021: HK\$109,216,000) and the Group's current ratio, which represents current assets over its current liabilities, was approximately 2.14 times (31 December 2021: 3.38 times). The gearing ratio of the Group as at 31 December 2022 (calculated as total liabilities of HK\$83,651,000 over equity attributable to owners of the Company of HK\$62,538,000) was 133.76% (31 December 2021: 72.49%).

As at 31 December 2022, the Group borrowed a loan with outstanding principal amount of HK\$35,000,000 and interest rate of 3.5% per annum from a former 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 2022 are set out below:

	Original intended use of proceeds Approximately HK\$ million	Amounts reallocated for use of proceeds Approximately HK\$ million	Actual use of the proceeds from the date of completion of the Rights Issue to 31 December 2022 Approximately HK\$ million	Revised amount of unutilised net proceeds as at 31 December 2022 Approximately HK\$ million
Investment in the media and entertainment business	31.0	35.0 (Note 1)	31.0	35.0
Repayment of amount owed to Mr. Chau Cheok Wa	35.0	(35.0) (Note 1)	–	–
Development of integrated entertainment platform and non-fungible tokens business	14.8	–	14.8	–
Day-to-day salary and administrative expenses	14.2	–	14.2	–
Investment in the funeral business	7.4	–	4.3	3.1
Provision of audio, lighting and stage equipment and ancillary stage technical and engineering services	6.7	–	4.9	1.8
General working capital	7.3	–	6.4	0.9
Total	116.4	–	75.6	40.8

Note:

- With the recent recovery of the COVID-19 pandemic, the Board considered that the execution of the Group's business plan of carrying out entertainment concerts activities will be profitable to the Group. Therefore, the Board estimated that approximately HK\$35.0 million would be allocated for the investment in media and entertainment business. The Board considers the above change in the use of the net proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group and is therefore in the interests of the Group and the shareholders as a whole.

Management Discussion and Analysis

INVESTMENT POSITION AND PLANNING

The Group will continuously undertake researches and identify potential media and entertainment business and investment opportunities, as well as cremation and funeral services, and 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 save as disclosed in the consolidated financial statements, there were no other 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 assets and liabilities of the Group's 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 2022, the Group had 89 (31 December 2021: 79) employees and including Directors. During the year ended 31 December 2022, short term employee benefits, which represented a key component of the total staff costs for the year ended 31 December 2022, 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 expertise, which include basic wages and 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 28 to the consolidated financial statements.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets and the Group did not have any significant contingent liabilities as at 31 December 2022.

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.

The Company had complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules during year ended 31 December 2022.

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 2022.

THE BOARD

As at the date of this report, the board of directors of the Company (the "Board") comprises two executive Directors and, namely Mr. Dong Choi Chi, Alex (the Chairman) and Mr. Chong Cho Lam (the CEO), three independent non-executive Directors, namely Mr. Chan Wai Man, Dr. Ip Wai Hung and Mr. Siu Hi Lam, Alick. 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. 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the code provision C.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.

Corporate Governance Report

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. During the year the Board 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.

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.

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"> • reviewing and assessing the effectiveness of the Group's risk management framework and internal control systems; and • monitoring the effectiveness of the risk management framework to identify and deal with risks faced by the Company including operational, regulatory and financial risks etc. • reviewing the accounting policies and supervising the Company's financial reporting process; • reviewing and monitoring the integrity of consolidated financial statements and the annual report, interim report and quarterly reports; • monitoring the effectiveness of financial controls, internal control and risk management systems; • considering and recommending the appointment, re-appointment and removal of external auditor of the Company; and • acting as the key representative body responsible to oversee the relationship between the Company and the external auditor, include the relationships involving the provision of non-audit services.
Major work performed during the year 2022	<ul style="list-style-type: none"> • reviewing and assessing the effectiveness of the Group's risk management system; • reviewing and evaluating the major investment projects; and • ensuring the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting functions. • reviewing and making recommendations for the Group's annual, interim and quarterly financial statements and the related results announcements; • reviewing the findings and recommendations of external consultant on internal control review report; • reviewing the report of external auditor; • reviewing external audit planning for the year ended 31 December 2022; • discussing the audit findings with external auditor and the related management responses; • making recommendations to the Board, subject to the shareholders' approval at the 2022 annual general meeting, the appointment of external auditor of the Company; • reviewing of the development in accounting standards and its effects on the Group, and financial reporting matters; • reviewing the Company's compliance with CG Code and disclosure in the Corporate Governance Report.

Corporate Governance Report

NOMINATION COMMITTEE

Members	Three independent non-executive Directors, namely Dr. Ip Wai Hung (committee Chairman), Mr. Chan Wai Man and Mr. Siu Hi Lam, Alick
Major responsibilities	<ul style="list-style-type: none"> • 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 2022	<ul style="list-style-type: none"> • 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 2023 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	<ul style="list-style-type: none"> • 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 2022	<ul style="list-style-type: none"> • 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"> reviewing and assessing the effectiveness of the Group's risk management framework and internal control systems; and monitoring the effectiveness of the risk management framework to identify and deal with risks faced by the Company including operational, regulatory and financial risks etc.
Major work performed during the year 2022	<ul style="list-style-type: none"> reviewing and assessing the effectiveness of the Group's risk management system; reviewing and evaluating the major investment projects; and ensuring the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting functions.

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"> administering the share award scheme adopted by the Company on 6 December 2019 in accordance with the rules of the share award scheme (as may be amended from time to time); and addressing and dealing with such other matters as may be delegated by the Board to the Administration Committee.
Major work performed during year 2022	<ul style="list-style-type: none"> monitoring the operation of the share award scheme; and ensuring the procedures for the grant of awarded shares are in accordance with the rules of the share award scheme.

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 2022 are set out in the following table:

Name of Directors/Senior management	Attendance/Number of meetings					Annual/ Special General Meeting
	Board Meeting	Audit Committee Meeting	Administration Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	
Executive Directors						
Mr. Chong Cho Lam	5/5	N/A	1/1	N/A	N/A	1/1
Mr. Dong Choi Chi, Alex	5/5	N/A	1/1	N/A	N/A	1/1
Independent non-executive Directors						
Dr. Ip Wai Hung	5/5	7/7	N/A	2/2	1/1	1/1
Mr. Chan Wai Man	5/5	7/7	N/A	2/2	1/1	1/1
Mr. Siu Hi Lam, Alick	5/5	7/7	N/A	2/2	1/1	1/1

Note:

The Board has resolved to merge the functions and responsibilities of Risk Management Committee into Audit Committee in March 2022.

AUDITOR'S REMUNERATION

During the year ended 31 December 2022, remuneration in respect of audit and non-audit services provided by the existing auditor of the Company to the Group are set out below:

	2022 HK\$'000	2021 HK\$'000
Audit services	2,800	2,600
Non-audit services		
– review the preliminary announcement of annual results	20	20
– continuing connected transactions	30	30
– acts as reporting accountant to report on the financial information of the group for the Rights Issue	–	398
Total	2,850	3,048

Corporate Governance Report

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the member of the senior management by band for the year ended 31 December 2022 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.

BOARD DIVERSITY AND WORKFORCE

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.

Under the revised Rule 17.104 of the GEM Listing Rules that came into effect on 1 January 2022, a single gender Board will not be considered by the Stock Exchange to have achieved Board diversity. The Company targets to comply with this new requirement no later than 31 December 2024, being the end of the transitional period as specified by the Stock Exchange, and the Board will consider amending the Board diversity policy to include appointment of at least a director of a different gender so that the potential successors to the Board can achieve gender diversity.

The Board places emphasis on diversity (including gender diversity) across all levels of the Group. The employee gender ratio of the Group (including senior management) as at 31 December 2022 is 60.7% male: 39.3% female. The Group when hiring employees considers a number of factors, including but not limited to gender, age, cultural and education background, qualification, ethnicity, professional experience, skills, knowledge and length of service, and the Group will make sure achieving gender diversity across the workforce.

During the year ended 31 December 2022, the Board was not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

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.

Corporate Governance Report

- (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.

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 2022 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 63 to 67 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 2022.

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 C.1.4 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 2022 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	✓
Mr. Chan Wai Man	✓
Mr. Siu Hi Lam, Alick	✓

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 both integrated top-down and bottom-up risk review processes, 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 certain selected operating cycles. 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 and Group 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.

ANTI-CORRUPTION POLICY AND WHISTLEBLOWING POLICY

The Group has established anti-fraud and anti-money laundering policy that promote and support anti-corruption laws and regulations, and set out measures for employees, suppliers and business partners to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Group.

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.

The Board has reviewed the implementation and effectiveness of the communication policy including steps taken at the general meetings, the handling of queries received (if any) and the channel of communication and engagement in place, and considered that the policy has been properly implemented during the year under review and is effective.

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.

Corporate Governance Report

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.

CONSTITUTIONAL DOCUMENTS

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

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 a special 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.

Shareholders are also welcomed to put forward proposals relating to the operations and management of the Group to be discussed at shareholders' meeting. The proposals shall be sent to the Board or the secretary by a written requisition specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward, following the procedures set out above.

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. 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

Renamed as Yeah Yeah Group Holdings Ltd (the “Company”), the Company and its subsidiaries (collectively, the “Group” or “We”) continue to strive for excellence in a wide range of businesses. The Group is an investment holding company mainly engaging in the media and entertainment businesses, which provides movie productions, concert organizations, and entertainment events across Hong Kong, Macau, Taiwan, the People’s Republic of China (the “PRC”) and Malaysia. Besides, the Group also takes part in the provision of deathcare services, including funeral and cremation services.

With the world recovering from the pandemic, there are tremendous opportunities in the market. The Group keeps on exploring potential opportunities and modifying its business operations to grasp chances, including capturing the behavioural and cash flow changes the pandemic brought about and adapting to changes to raise its competitiveness.

In the meantime, as the global health crisis eases, it is believed that sustainability will come under the spotlight again. As countries have reaffirmed their commitment in the Climate Change Conference (COP 27) held in November 2022, changes in regulation, such as restricting carbon emissions and requiring carbon footprint reports, are likely to happen. To proactively deal with the coming sustainability-related risks, the Group is committed to being an enterprise focusing on the environment and the community along its growth. The Group will keep encapsulating its stakeholders’ values into its management approach and sparing no effort in contributing to the environment and society.

In compliance with the requirement under Appendix 20 – Environmental, Social and Governance Reporting Guide (the “ESG Guide”) of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by Hong Kong Exchanges and Clearing Limited (the “HKEX”) under the “Comply or Explain” provision, the Group is pleased to present its Environmental, Social and Governance Report (the “ESG Report”) for the year ended 31 December 2022 (“FY2022”), which illustrates the Group’s performance, strategies, management approaches and efforts on ESG governance during the year under review.

Boundary Setting

The boundary setting of this ESG Report adopts the operational control approach, which covers the businesses where the Group has complete authority to create and apply operating policies. As such, the reporting boundary is defined as the major business segments of the Group, including the media and entertainment business operations and the cremation and funeral services business in Hong Kong and the PRC.

For the corporate governance section, please refer to the Group’s 2022 Annual Report on pages 7 to 19 therein. The reporting period of this ESG Report is for FY2022 unless specifically stated otherwise.

Reporting Principles

Materiality:

Among various environmental, social and economic issues, the Group strives to identify issues with the most significant impacts on its investors and stakeholders and address them accordingly. In FY2022, the Group adopted the commonly-used strategic business tool, the materiality assessment, to gather opinions from internal and external stakeholders regarding its sustainable development. External suppliers and business partners, internal general staff, managerial staff as well as senior management were invited to participated in the engagement. The analytical results pointed out five material topics that are important to the Group for the Board of Directors (the “Board”) to review and incorporate in its decision-making and implementation of management mechanisms.

Quantitative:

A series of well-defined Key Performance Indicators (KPIs) are used for benchmarking and measurement to quantitatively demonstrate the environmental and social impacts. This ESG Report not only clearly lists the methodologies, calculation tools and conversion factors used for calculation and assumption, but also demonstrate information in numerical figures for better understanding and comparison.

Balance:

This ESG Report strives to provide a full picture of the Group’s performance on sustainability aspects. As such, this ESG Report reveals both the Group’s achievements and room for improvement without cherry picking favourable information to prevent bias.

Environmental, Social and Governance Report

Consistency:

The statistical methodologies used in this ESG Report are generally consistent with those used in the previous year for meaningful comparisons. Any changes that may affect comparisons with previous reports will be described in the corresponding sections of this ESG Report.

Information disclosure

The information in this ESG Report was gathered through numerous channels, including internal policies of different subsidiaries of the Group, the factual evidence of the implementation of ESG practices in the Group, the feedback from staff via online surveys in the format of quantitative and qualitative 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 ESG Report was prepared in both English and Chinese. Should there be any conflict or inconsistency, the English version shall prevail.

II. BOARD INCLUSIVENESS

Reckoning our Group's important role in the industry, the Board is committed to creating sustainable value for its stakeholders and realising its sustainable goals. The Board assumes ultimate responsibilities for overseeing all ESG matters, ensuring the effectiveness of the Group's ESG policies and implementing sustainability approaches from top to bottom. Meanwhile, a dedicated senior management, under the Board's leadership and oversight, reviews and updates the Group's sustainability policies based on the market demands and the ever-changing needs of its stakeholders.

Driving corporate governance and ESG agenda from the top facilitate the Group to identify potential ESG risks and opportunities and to make adjustments in a timely manner. With the application of accountability mechanisms, the Group is committed to contributing to ESG matters while sustaining its advantages in the market. Details of the Group's management approaches in environmental and social aspects are elaborated in different sections of this ESG Report.

Board Statement

The Board is pleased to share our fifth ESG Report which demonstrates our ESG approaches and performances as of 31 December 2022.

2022 was a challenging yet unforgettable year for us all. With us renaming into Yeah Yeah Group Holdings Limited, we see this as an important milestone for us to restart fresh and new to work on better integrating ESG goals into everything we do.

Our Priorities

Sustainability issues are evolving at a rapid rate and as the Board, we recognise the need for effective oversight of the Group's social and environmental risks and opportunities. Hence, ESG integration and disclosure has become one of our key sustainability priorities to support the resiliency and sustainable long-term growth of our business.

Providing high-quality products and services without sacrificing natural resources is always of paramount importance to our operations. As such, over the years, we have formulated and implemented a series of internal standards and policies to ensure outstanding performance in environmental protection. The Board and the management ensure that our sustainability initiatives are well entrenched into the Group's strategy, with them remaining a key priority for our ESG governance.

Our Aspirations

Acknowledging that worldwide nations have reaffirmed their carbon reduction commitment during the Climate Change Conference (COP 27) and China's target of peaking its carbon emissions by 2030 as well as achieving carbon neutrality by 2060, we have embedded green concepts into our operations and management to minimise energy consumption and carbon footprints. We believe accountable goals help us track our progress and identify room for improvement. Therefore, we establish emissions-related and energy efficiency-related targets for the coming years, of which the progress are being monitored and reviewed closely by our top management in a regular manner.

Environmental, Social and Governance Report

Aligning with Our Stakeholders' Concerns

Witnessing the profound pandemic-led changes in how we live and work, we realise that the economy, the environment and society are equally important. Hence, we strive to integrate ESG matters into our operational models, align with the global trend of sustainable development and create a liveable future with our stakeholders in concerted efforts.

A growing number of our stakeholders are now caring our sustainability impacts and influences on them. As such, in FY2022, we continued to conduct our annual materiality assessment to understand their concerns and expectations, thereby polishing our sustainability approaches accordingly. ESG issues in relation to workforce wellbeing has been identified as one of the most material issues for the Group for two consecutive years. In response to this, we will continue to pay close attention to the health and safety of our own people, while embracing a flexible work environment that helps retain and support our diverse team.

Looking Forward

At the beginning of the new normal, embracing the sustainability concept in business activities is of great importance. We will take this opportunity to refine our business practices and contribute to the international agenda and national goals through expanding our business in a responsible manner. Valuing every small steps that gradually create great changes, we have the strategy in place to make a difference and the committed people and resources to execute our aspirations.

The Board is proud to see what sustainability means for us and the opportunity we have to demonstrate how our ongoing efforts and approaches to ESG issues will help us find new ways to create value for our people, customers and communities. I am looking forward to writing the next chapter of our sustainability journey with our staff members. With our solid foundation in place, I believe we are well-positioned to keep planning for the future while generating positive impacts in our business and communities today.


III. STAKEHOLDER ENGAGEMENT

KEY STAKEHOLDERS



The Group believes that stakeholders' opinions are of great importance to its creation and development of sustainability approaches as their feedbacks reflect material aspects that the Group should be concerned of and aligned with. Hence, the Group treasures both internal and external stakeholders' participation and strives to exchange ideas continuously through open and transparent communication channels. The Group has been actively developing a solid relationship with its stakeholders by building multiple communication channels as listed below:

Environmental, Social and Governance Report

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

Materiality Assessment

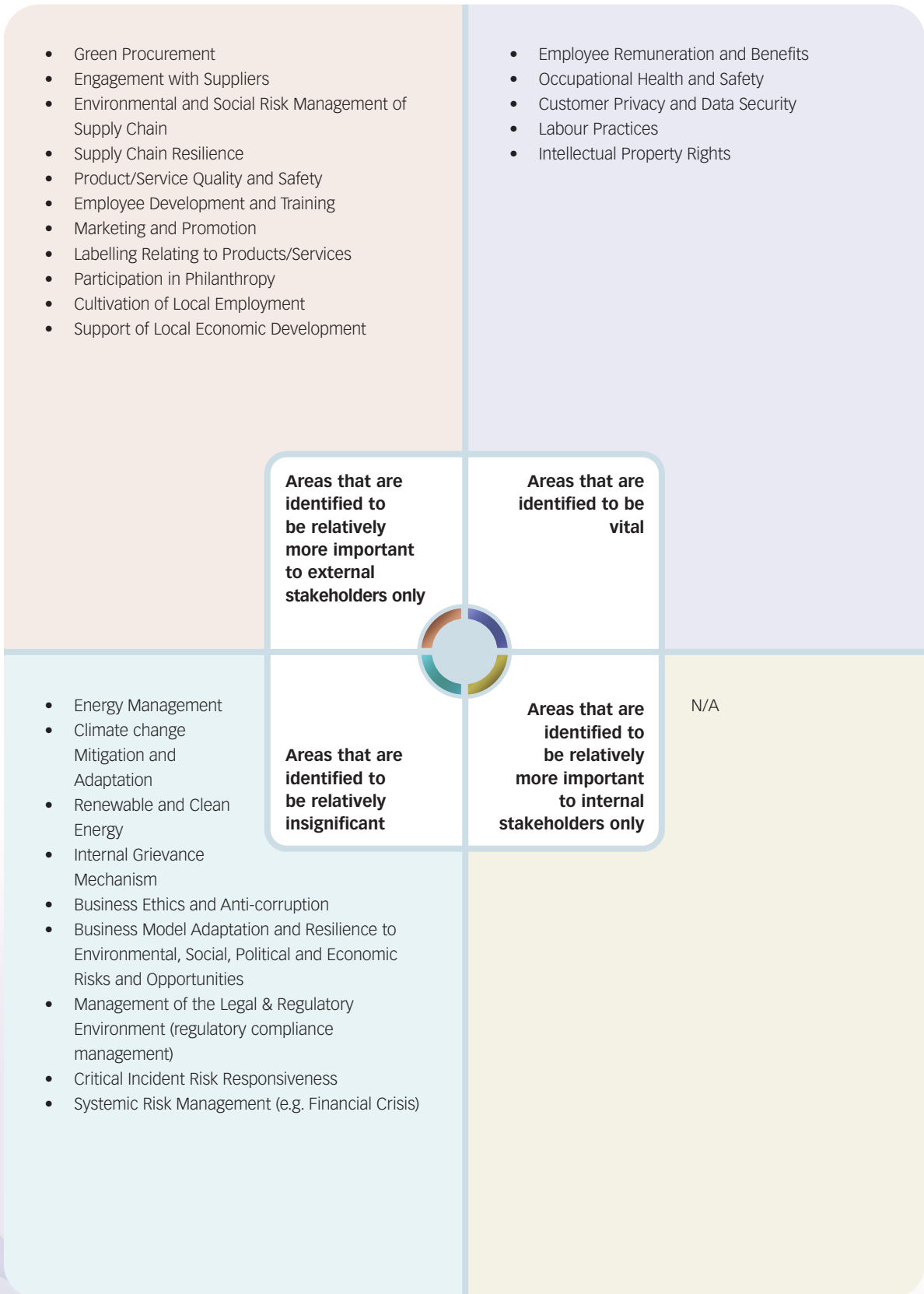


Since ESG risks and opportunities for companies vary across industries and depend on different corporate background, perspectives and business models, stakeholders may value different sustainability-related aspects. As such, the Group needs to gather their points of view regularly to design an inclusive operation and management approach. In FY2022, the Group conducted a materiality assessment survey in which stakeholders expressed their concerns on a myriad of sustainability topics, thereby allowing the Group to understand its potential and actual ESG impacts, as well as how each material issue affects its stakeholders' decisions.

Taking a step-wise approach, there were six stages throughout the materiality assessment. Stakeholders were first classified based on their participation and dependency on the Group. Then representatives of each key stakeholder group were selected to participate in the engagement activity conducted by a third-party agency in order to enhance the credibility and objectivity of the evaluation. Through a systematic materiality analysis to prioritise the topics from the entire inventory of ESG issues, a materiality matrix was then generated below to showcase ESG matters that were of the highest importance to the Group and its stakeholders, on which the Group could depend on to develop actions plans to facilitate better ESG management.

Environmental, Social and Governance Report

Materiality Assessment Outcome



Environmental, Social and Governance Report

According to the materiality analysis matrix, the Group identified five material issues that were of highest importance to both the Group and its stakeholders during the year under review, namely "Employee Remuneration and Benefits", "Occupational Health and Safety", "Customer Privacy and Data Security", "Labour Practices" and "Intellectual Property Rights". The results were delivered to the Board for review and endorsement, while the Board then formulated the Group's sustainability approach accordingly to address its stakeholders' concerns and to develop a meaningful sustainability direction using the results as a guidance.

Sustainable Development Goals

Acknowledging the general public's increasing attention towards sustainability, the Group strives to take global sustainability issues into account when formulating its sustainability strategies and approaches. Seeking to keep abreast of the worldwide sustainability trend, the Group has been staying align with the United Nations Sustainable Development Goals ("SDGs"), in the hope of maintaining a global common language to communicate with its stakeholders while gaining worldwide recognition.

In FY2022, 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 consulted its stakeholders' opinions on corporate sustainability stewardship to figure out the most critical SDGs that they are particular interested in.

On top of "Target 3: Good Health and Well-being", "Target 8: Decent Work and Economic Growth" and "Target 11: Sustainable Cities and Communities", the Group further identified "Target 5: Gender Equality" during the year under review. The Group has refined its SDGs 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

The Group understands the funeral and cremation sectors can be physically and emotionally challenging for its workers. Acknowledging that workers may feel stressed, the Group not only executes solid occupational health and safety measures, but also provides psychological counselling to those employees in need of help, aiming to take care of both the physical and mental health of its people.

Besides, the Group also endeavours to protect its people during the pandemic. In FY2022, as the widespread of the COVID-19 pandemic continued, the Group has been enacting a series of preventive and control measures including suspending office operations when the office is classified as high risk, as well as allowing flexible working arrangement and remote working to reduce the risk of infection in workplace. For the cremation and funeral services businesses, 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 information is disclosed in the section B.2 Health and Safety.

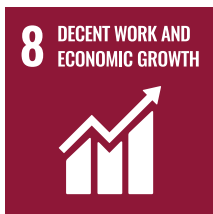
Environmental, Social and Governance Report



Achieve gender equality and empower all women and girls

Equality

Seeing gender equality as not only a fundamental human right but also a foundation for a prosperous and sustainable future, the Group is committed to empowering the all female members in the enterprise and assuring gender quality in all of its human resources decisions by eliminating any gender considerations when making employment or promotion decisions. Besides, all males and females are entitled to training and welfare benefits, while the Group is committed to ruling out any workplace sexual discrimination and harassment through encouraging its employees to report any incidents to the Human Resources Department. During the year under review, the Group's workforce was consisted of more than 20% of female staff, with more than 500 training hours provided to them.



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

Supporting

With the COVID-19 pandemic affecting the global economy for more than three years, it was seen as one of worst economic crisis in decades which drove high the unemployment rate everywhere. Despite the gradual recovery from the pandemic under the new normal, factors like rising inflation rate, supply chain disruptions and political uncertainties were all hindering the growth the development of a healthy labour market.

Dedicated to promoting inclusive and sustainable economic growth through providing employment and decent work for all, the Group is committed to not only protecting labour rights and promoting a safe and secure working environment for all workers, but also establishing policies to safeguard human rights and labour standards along its supply chain. The Group is also actively supporting the social well-being of local communities where it operates by backing local infrastructure development projects and creating job opportunities in the local community.



Make cities 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 of 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.

Environmental, Social and Governance Report

IV. ENVIRONMENTAL SUSTAINABILITY

Reckoning the importance of the environment to the Group's development, the Group endeavours to handle environmental-related issues properly and spares no effort in preserving natural resources. As an enterprise which major business activities mainly focusing on the media entertainment industry and providing death-care services, the Group's significant environmental impacts mainly came from the operations of offices and the crematory during the year.

The Group stringently controls its emissions and resource consumption to minimise its operations' environmental nuisances. In FY2022, the Group strictly complied 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, and climate-related management in FY2022.

A.1 Emissions

In FY2022, the Group's major emissions were mainly arisen from the operations of offices and crematories, including the cremations' air and greenhouse gas ("GHG") emissions, vehicles' exhausts, and solid wastes. The Group has implemented corresponding policies to regulate the emissions. The details are disclosed in each sub-topic of this section. 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 has a significant impact on the Group.

In FY2022, air pollutants from the Group including sulphur oxides ("SO_x"), nitrogen oxides ("NO_x") and particulate matter ("PM") were mainly generated from vehicles for transportation, machinery for cremation and other business operations. Meanwhile, its GHG emissions were primarily due to the combustion of fossil fuels and the consumption of electricity in its business operations. Besides, the Group also generated and disposed a total of 2,643 kg of non-hazardous solid waste in FY2022, while no significant amount of hazardous waste was recorded. The Group's total emissions in FY2022 are summarised in Table E1 below.

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Table E1 – The Group’s Total Emissions by Category in FY2022⁹

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2022	Intensity ¹ (Unit/employee) in FY2022	Amount in FY2021	Intensity ¹ (Unit/employee) in FY2021
Air Emissions ²	SO _x	Kg	101.1	1.1	90.6	1.1
	NO _x	Kg	1,046.3	11.8	799.8	10.0
	PM	Kg	159.5	1.8	131.8	1.6
GHG Emissions	Scope 1 ³ (Direct Emissions)	Tonnes of CO ₂ e	347.9	3.9	334.0	4.2
	Scope 2 ⁴ (Energy Indirect Emissions)	Tonnes of CO ₂ e	162.4	1.8	92.1	1.2
	Scope 3 ⁵ (Other Indirect Emissions)	Tonnes of CO ₂ e	3.1	3.4 x 10 ⁻²	0.1	9.2 x 10 ⁻⁴
	GHG removal from planted trees	Tonnes of CO ₂ e	1.0	–	0.9	–
	Total (Scope 1 & 2 & 3)	Tonnes of CO ₂ e	512.3	5.8	425.3	5.3
Non-hazardous Waste	Solid Wastes ⁶	Kg	2,643.5	29.7	2,396.3	30.0
	Recycled Wastes ⁷	Kg	224.2	564.8	137.6	1.7
	Wastewater	m ³	1,440	16.2	10	0.1

- Intensity was calculated by dividing the amount of emissions the Group has generated in FY2022 by the number of employees in FY2022 which was 89 while intensity of FY2021 was extracted from the ESG report of FY2021;
- The Group’s air emissions included only the air pollutants arise from the mobile combustion of fossil fuels from vehicles for transportation;
- 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;
- 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 and business air travel;
- 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 FY2022, 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 total amount of wastewater generated by the Group was primarily based on the appropriate estimations assuming 100% of the fresh water consumed by the Group will enter the sewage system in areas where an accurate recording of the amount of wastewater was hard to obtain; and
- 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.

Air and GHG Emissions

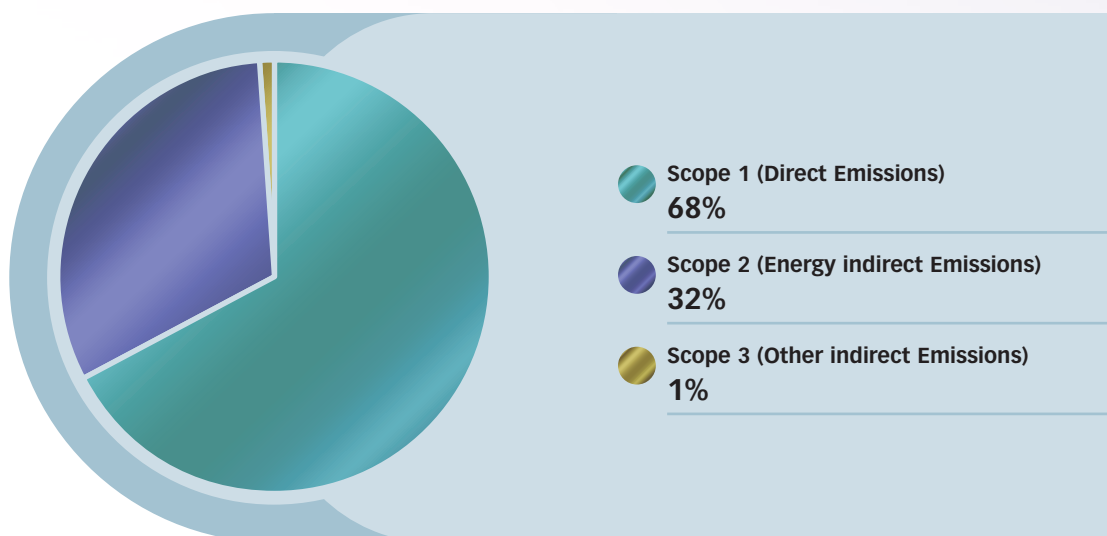
Given the business nature of the Group’s cremation and funeral services, air and GHG emissions are unavoidable. Notwithstanding that, the Group has been actively controlling its emissions in compliance with national standards, including the emission standard (GB 13801-2015) and the Emission Standard of Air Pollutants for Crematory (《火葬場大氣污染物排放標準》).

In FY2022, 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. In particular, the SO_x, NO_x and PM emissions were 101.1, 1,046.3 and 159.5 kg respectively, with slight increases in all air pollutant categories due to the increase in vehicles use with the rebound of business operations as the pandemic eased.

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In the meantime, the Group's GHG emissions were primarily arose from the combustion of fossil fuels and electricity usage in its business operations. The Group's total GHG emissions amounted to 512.3 tonnes of CO₂e, with an intensity of 5.8 tonnes CO₂e/employee. It is worth noting that the Group's GHG emissions pattern in FY2022 were similar to that of FY2021, in which Scope 1 (Direct emissions) dominates the annual GHG emissions profile. The total GHG emissions rose by 20% as compared to that of previous year, which was mainly due to the increase in Scope 3 (Other indirect emissions) regarding the increase in business commute and operations with market recovering from the pandemic.

Greenhouse Gas Emissions Distribution in FY2022



Targets and Actions

The Group has set targets to show its commitment to air and GHG emissions reduction. The Group aims to reduce its group-wise air emissions and GHG emission intensities in FY2023 by 5% taking FY2022 as the baseline year.

Meanwhile, in view of the regulatory requirements in the PRC, the Group's Cremation and funeral services business is committed to cut its air emissions intensities as stated below:

Emission Type	Baseline	Target
SO _x	20 mg/m ³	Reduce by 5%
NO _x	200 mg/m ³	Reduce by 5%
PM	30 mg/m ³	Reduce by 5%

To achieve its goals, the Group updates its operating practices following the latest international operational standards. For instance, the Group replaces traditional machines and exercises with more energy-efficient and environmentally friendly ones. Starting from the year 2018, the Group has equipped each cremator with advanced devices to pre-treat gases from the incineration process, intending to comply 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).

To further reduce air and GHG emissions, the Group has been actively promoting the concept of "green grave sweeping". The Group prohibits the burning of paper supplies, joss sticks and firecrackers in funeral parlours and cemeteries to minimise air pollutants. The Group in turn provides flowers to encourage the replacement of paper offerings.

The Group has also taken steps to reduce its GHG emissions through lowering electricity and energy consumption. Detailed measures are further described in A.2. Use of Resources of this Report.

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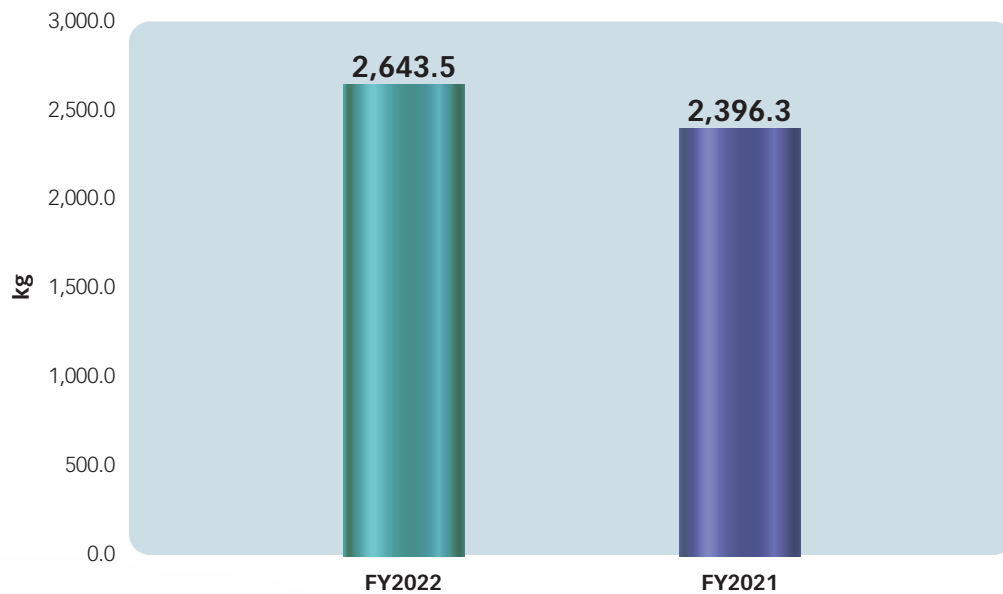
Non-hazardous Waste

Solid Waste

In FY2022, the Group's non-hazardous waste production included municipal solid waste and sewage. Specifically, solid wastes including wastepaper, packaging materials and used files were collected, sorted and delivered to local recycling centres for further treatment operated by third-party professional organisations. Besides, the Group's recognised the increasing concerns about food waste reduction. As such, the Group allocated part of the food waste as fertilisers in the cemetery. The remaining non-recyclable solid wastes were disposed of at the waste disposal plants.

During the year under review, the Group produced 2,643.5 kg of non-hazardous solid waste, with intensity of 29.7 kg/employee. Meanwhile, there were no hazardous waste created nor disposed. Given the country-wise waste classification policies and the central government's requirements, the Group has exerted great efforts to waste classification and recycling. In the reporting year, the Group recycled 224.2 kg of waste.

Solid Waste Generation in FY2022 and FY2021



Wastewater

In FY2022, the wastewater produced by the Group did not pose significant threats to the environment. The Group's operational activities generated around 1,440 m³ of municipal wastewater. Wastewater from the offices was handled by the property management and discharged directly to the municipal sewer line, while sewage from the funeral sector was used for irrigating after the wastewater treatment process.

Targets and Actions

To drive, motivate and quantify its waste reduction efforts, the Group sets and reviews its targets annually. The Group aims to reduce its solid waste disposed of per employee in FY2023 by 5% taking FY2021 as the baseline year. To strive for its goals, the Group ensures its waste management policies are being implemented strictly and allocates more resources to employees' education to raise their waste reduction awareness.

Besides, the Group aims to maintain its wastewater discharged per employee in FY2023 same as that of FY2022. In view of its major wastewater being discharged from its cremation and funeral services business segment, the Group is dedicated to minimising its negative impacts on natural water resources. Since the Group believes freshwater consumption and wastewater disposal are highly correlated, it has developed water-saving practices in offices and funeral parlours to manage freshwater usage. The water-saving approaches are further discussed in section A.2 Use of Resources of this ESG Report.

Environmental, Social and Governance Report

A.2 Use of Resources

The Group has strived to enhance energy and resource efficiency as it recognises the preciousness of natural resources. In FY2022, the Group complied with the applicable laws and regulations regarding the use of resources, including but not limited to the Energy Conservation Law of the People's Republic of China 《中華人民共和國節約能源法》. Meanwhile, the Group mainly consumed electricity, water, paper, diesel and gasoline in the year under review.

Table E2 – The Group's Total Use of Resources by Category in FY2022 and FY2021

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2022	Intensity ¹ (Unit/employee) in FY2022	Amount in FY2021	Intensity ¹ (Unit/employee) in FY2021
Energy	Electricity	kWh	319,902.0	3,594.4	151,002.0	1,887.5
	Diesel	L	65,615.0	737.2	91,996.0	1,150.0
	Gasoline	L	73,500.0	825.8	39,840.0	498.0
	Total²	000'kWh	1,734.5	19.5	1,521.8	19.0
Water	Water ³	m ³	1,440.0	16.2	–	–
Paper	Paper ⁴	kg	475.0	5.3	15.0	0.2
Packaging materials	Paper-made	kg	1,050.0	11.8	1,000.0	12.5
	Plastic-made ⁵	kg	500.0	5.6	600.0	7.5

- Intensity was calculated by dividing the amount of workforce of the Group in FY2022, which was 89, while intensity of FY2021 was extracted from the ESG report of FY2021;
- The methodology adopted for energy conversion and calculation of gasoline and diesel set out above was based on "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange; and
- In FY2022, with the enhancement in the new approaches in its measurement of water consumption, the Group has refined its water management and monitoring through recording a more accurate amount of water usage. The Group will keep on looking for more convincing techniques that covers all business activities in the future.
- In FY2022, the Group improved its management approach in paper consumption thus leading to the surge in data due to a more accurate presentation.
- In FY2022, the Group expanded its reporting scope to include plastic-made packaging materials.

Electricity

In FY2022, the Group consumed 319,902 kWh of electricity while the intensity was 3,594.4 kWh/employee. Despite the amount of electricity consumed by the Group in FY2022 was much higher than that of FY2021 due to the rebound of business operations, it is still committed to furthering its environmental stewardship. The Group aspires to lower its electricity consumed per employee in FY2023 by 5% taking FY2022 as the baseline.

To achieve the target, the Group actively controls its electricity consumption. For instance, the Group encourages its staff to maximise the use of natural resources such as daylight and wind in the workplace, prioritises eco-friendly devices during procurement and conducts appliance maintenance regularly to ensure high energy efficiency.

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Other Energy Resources

In FY2022, the Group consumed liquid fossil fuels for its transportation and funeral sector's operations. In particular, the Group used 65,610 L of diesel and 73,500 L of gasoline. The diesel and gasoline consumption intensity was 737.2 L/employee and 825.8 L/employee respectively. As such, the Group is committed to reducing its fossil fuels consumption in the coming year by further reducing its fossil fuels consumed per employee in FY2023 by 5% taking the figures in FY2022 as the baseline.

The Group has been exploring innovative technologies to enhance its operational energy efficiency. Besides, the Group has been figuring out environmental-friendly energy sources to reduce its reliance on diesel and gasoline. To continue its encouragement of resource conservation, the Group will continue its "Fuel-saving rewards" as an incentive for operating employees to conserve resources.

Water

In FY2022, the Group did not face any problems in sourcing water fit for its purpose. The Group's primary water consumption was commercial activities in the offices, while water for the cremation and funeral business sectors was from natural springs. In the year under review, the Group used 1,440 m³ of water, with the intensity being 16.2 m³/employee.

While FY2022 was the first year for the Group to successfully collect a relatively more accurate water consumption from springs, the Group is cautious about setting a specific target for water consumption reduction. Nevertheless, the Group has exerted great efforts in saving water. For instance, the Group has educated its employees on water conservation and developed a "water saving" culture by implementing a water-saving protocol and optimising its water utilisation efficiency.

Paper

In FY2022, the Group consumed 475 kg of paper, mainly for administrative purposes. Striving to develop a "Green Office" culture, the Group not only prioritises electronic means for communication and data storage, but it also sets double-sided printing as the default on all printers when printing is unavoidable. In the meantime, the Group encourages the use of flowers and other recyclable offerings to substitute the traditional paper money offerings, aiming to promote the idea of "environmentally friendly grave sweeping".

Packaging Material

Due to the business nature of the Group as a funeral services provider, its principle packaging materials consumed are coffins and body bags. To reduce the usage, the Group has enacted material usage and procurement policies so as to ensure the purchasing of coffin and body bags is only based on the demand to avoid excessive waste. As the pandemic was severe in FY2022, the Group's funeral business had grown accordingly, with the packaging materials consumption increased to 1,550 kg which consisted of materials made by plastic and paper.

A.3 The Environment and Natural Resources

Acknowledging the significant diversity of nature between the media and entertainment business and the cremation and funeral services business, the Group has analysed the two business sectors' ESG impacts separately to obtain meaningful results.

In FY2022, the Group's media and entertainment business faced temporary suspension owing to pandemic preventive measures with only few activities organised. As such, the media and entertainment stream's environmental nuisances and disruption of natural resources are insignificant. Yet, the Group's cremation and funeral services business grew during the year. Thus, based on the environmental performance analysis in the above sections, the Group considers its relatively significant environmental impacts during the year were the overall air and GHG emissions arising from the consumption of fossil fuels and the incineration operations from the funeral services.

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Adhering to the “Going Green and Low Carbon” principle, the Group believes that operating in an environmentally friendly manner is favourable to its long-term growth. As such, the Group strives to join hands with its stakeholders to build a more sustainable future through behavioural changes. For instance, 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 also actively encourages the concept of “Green Grave Sweeping”. In particular, the Group provides flower offerings and online worship as alternatives, while encouraging family members to use environmentally friendly body bags instead of traditional coffins.

To keep track of its performance and the effectiveness of its approaches, the Group has been continuously reviewing its natural resource consumption. In FY2022, attributed to the unified efforts of its staff members, the Group was classified as a “Hong Kong Green Organisation” by the Environmental Campaign Committee, with a “good level” in “Wastewi\$e” and “Energywi\$e”, as a recognition of its commitment on waste reduction, recycling, and energy conservation.



A.4 Climate Change

Undoubtedly, climate change and its consequences are stepping into every aspect of our lives. The Group treats them seriously and views them as potential opportunities if appropriately handled. To support the just transition to a national ambitious goal of net zero economy by 2060, the Group endeavours to assess and manage its climate-related issues through applying well-recognised practices.

As mentioned in the above section, the Group has two distinct major business streams. Due to the specific business nature, the Group considers that there will not be significant climate risks impacting its media and entertainment business since this business segment focuses on investments in entertainment projects which does not rely on specific fixed assets in specific locations.

Nevertheless, extreme weather events induced by climate change may negatively affect the Group’s short-term financial performance because the events, concerts, exhibitions and movies may be postponed or even cancelled accordingly. In view of this, the Group’s experienced teams have worked with its business partners to construct contingency plans under extreme weather. The Group believes their strong experience in managing contingent events helps minimise potential climate-related risks and loss.

Besides, with the Group’s cremation and funeral services business located in Huaiji, the western part of Guangdong Province in China, it has not been suffering from extreme temperatures throughout the year nor under the threat of sea level rise so far. As such, the Group believes that the funeral services business is subject to low risk of climate change.

While there is not any immediate severe direct climate impacts on the Group’s operations at this moment, the Group understands that with the rapid evolving climate situation, other related risks or opportunities may arise in any time. As such, the Group is committed to performing a more detailed preliminary risks analysis with reference to the international framework in the future, while ensuring its Management and the Board keep abreast of the latest trend and information so as to monitor and formulate mitigation measures in a timely manner when necessary.

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V. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

The Group believes every employee is valuable and their uniqueness contributes to the Group's long-term development. Hence, the Group aspires to build a supportive and diverse team, while creating an inclusive and safe workplace. Promoting a healthy and positive culture with equality and professional development being valued has always been the Group's mission.

B.1 Employment

Since skilled employees are valuable resources, the Group has strived to attract and retain talents for its success. As of the end of FY2022, there were 83 full-time, 5 part-time and 1 contract staff, with 54 male and 35 female staff. The gender ratio was 60.7% male: 39.3% female. More detail can be found in Table S3 below.

Distribution of Employees by Genders and Age Groups in FY2022

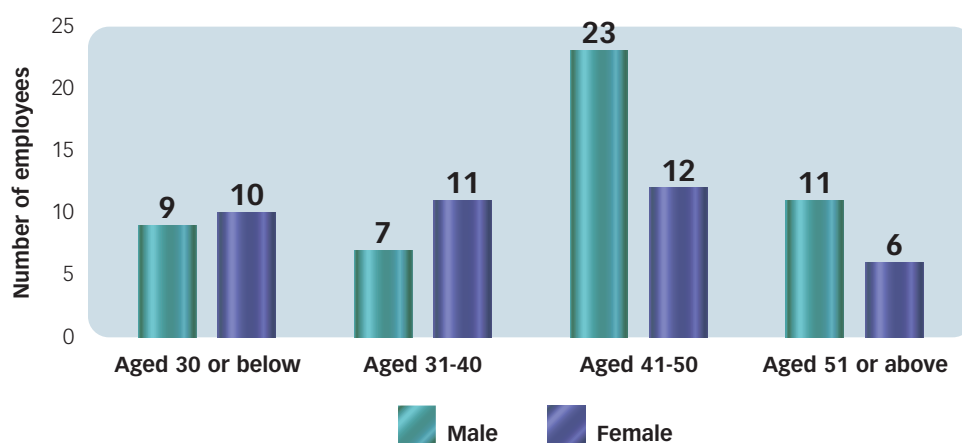


Table S3. Number of Employees by Age Group, Gender, Employment Type, Position Type, Geographical Locations of The Group in FY2022¹

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	9	7	23	11	50	
Female	10	11	12	6	39	
Total	19	18	35	17	89	

Unit: Number of employees		Position			Total
Gender	General staff	Senior management	Director and management		
Male	32	16	6	54	
Female	26	8	1	35	
Total	58	24	7	89	

Employment type				Total
Full time	Part time	Contract		
83	5	1	89	

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Geographical location	
Locations	Number of employees
PRC	35
Hong Kong	51
Taiwan	3
Total:	89

- 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 FY2022, 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).

The Group's Human Resources Department is responsible for regularly reviewing and updating the talent management guidelines and documents to ensure the Group's relevant internal policies are aligned with the latest local law and regulations.

Recruitment and Promotion

Reckoning talents are crucial to prosperity, the Group offers fair and competitive remuneration and benefits based on individuals' performance, personal attributes, job experiences and career aspirations to draw high-calibre candidates. Besides, the Group captures talents through partnering with headhunting companies and posting job advisement on websites. The Group has exerted great efforts to standardise and improve its promoting procedures, aiming to retain, recognise and motivate the most suitable and outstanding personnel.

Compensation and Dismissal

As stated in the Assessment Management System (《考核管理制度》), the Group conducts compensation reviews and salary adjustments regularly to recognise the employees' contributions and motivate them. The adjustments take numerous factors into account, including the overall market conditions, the inflation rate, the profits of the Group and the employee's previous performance.

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Unfair and illegitimate dismissals are strictly prohibited. The Group will issue a verbal warning in advance of a written warning letter to those employees with unsatisfying performance. However, if the underperformed employee makes the same mistakes repetitively, the Group will dismiss the personnel in accordance with the internal policies and applicable regulations. In the year under review, the Group's turnover rate was 7.9%. The detailed breakdown can be found in Table S4 below.

Table S4. Employee Turnover Rate by Age Group, Gender and Geographical Locations in FY2022 ¹

Unit: Number of employees	Age group				Total
	Aged 30 or below	Aged between 31 to 40	Aged between 41 to 50	Aged 51 or above	
Male	1	1	0	0	2
Employee turnover rate (%)	11.1%	14.3%	–	–	4.0%
Female	2	2	1	0	5
Employee turnover rate (%)	20.0%	18.2%	8.3%	–	12.8%
Total	3	3	1	0	7
Total employee turnover rate (%)	15.8%	16.7%	2.9%	–	7.9%

Locations	Geographical locations	
	Employee turnover	Employee turnover rate
PRC	3	8.6%
Hong Kong	4	7.8%
Taiwan	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 FY2022 by the number of employees in FY2022. 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

The Group has complied 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) to set reasonable working hours and rest periods. Besides, the Group has implemented the Attendance and Leave System (《考勤及請休假制度》) to ensure its employees' working durations fall within the relevant laws and regulations.

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

Equal-opportunity and Anti-discrimination

The Group promotes inclusiveness and diversity in the working environment. It believes a cooperative, equal and peaceful culture across all business sectors and positions boosts creativity and innovation, bringing more profits to the Group. As such, the Group has embraced anti-discrimination and equality in its human resources decisions. Specifically, hiring, training, promotion opportunities, dismissal and retirement policies are all based on factors irrespective of the applicants' or the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job-related factors.

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The Group has enacted internal policies to foster equality and combat workplace discrimination, harassment or victimisation following 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 eliminate workplace discrimination, the Group encourages employees to voice out and report any discrimination or harassment they face. With enough evidence to prove the non-compliance or breach of equal opportunity legislation, the Group would take disciplinary actions against the involved employees.

Benefits and Welfare

The Group cares about the well-being of its employees and believes that they perform best in a secure and healthy environment. As such, the Group has provided its employees with comprehensive welfare and benefits.

To facilitate a work-life balance working style that considers physical and mental health, the Group organises recreational activities regularly. Even though the pandemic preventive practices were still effective in FY2022, the Group arranged various employee activities. For instance, gatherings were held during Mid-autumn Festival and Chinese New Year to enhance the staff's cohesion and release working pressure. Besides, the Group also provided medical examination and organised trips for its staff.

During the year under review, the Group complied with relevant laws and regulations regarding 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.

B.2 Health and Safety

The Group prioritises occupational safety and has zero tolerance for accidents. Hence, the Group has devised internal health and safety policies in accordance 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》). Besides, the Group has formulated the Employee Health and Safety Management System (職工健康安全管理制度) to monitor its occupational health and safety ("OHS") and scrutinise the operational labour practices. The above policies show the Group's commitment to safeguarding its employees.

To reinforce the importance of occupational safety in the funeral sectors, the Group set safe operation goals and organised safety meetings in FY2022. Meanwhile, the Group inspected the venues regularly to ensure protection equipment and first-aid medicines are well in place and under stringent management.

In the meantime, the Group has employed professional engineers to inspect and maintain the electrical equipment and power lines, intending to spot problems as soon as possible and reduce occupational risks. To further protect its employees, the Group provide them with personal protective equipment, including protective garments, masks and gloves.

Other than the establishment of the Operating Manual to illustrate proper and safe operational practices and procedures, the Group has also offered OHS-related training at least once per quarter to highlight the importance of workplace safety and get its employees prepared for any emergency. The training included emergency drills, disinfection protection training, operation training and policy interpretation.

The Administrative Department is responsible for implementing and monitoring the above-mentioned health and safety policies, which are applicable to employees of all levels. At the same time, the Department heads conduct monthly safety inspections with the supervision of the Administrative Department. If potential health and safety risks are identified, the heads shall report to the General Manager immediately.

With its dedicated efforts to reducing occupational hazards, the Group recorded zero work-related fatalities in the past three years including the reporting year and zero work-related injuries with no workday lost in FY2022.

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Response to COVID-19

In FY2022, the world gradually recovered from the impacts of the pandemic, with resumed business activities and commuting. Nevertheless, the Group still continued its monitoring on the situation and applying corresponding precautionary measures aligned with the government's instruction to safeguard the health and well-being of its staff.

Office

In early 2022, the Group's media and entertainment activities faced temporary suspension due to the pandemic. In view of this, the Group reduced its office operations by arranging a flexible working mode, allowing employees to take shifts to work from home. The Group believes that social distancing is the best way to lower the spreading of the virus.

Cremation and Funeral Services Businesses

Reckoning the important role of the cremation and funeral services sectors in the pandemic, the Group hopes to contribute to society in these hard times by delivering quality services. Specifically, the Group has developed the Emergency Plan for Responding to Epidemic (《應對新型冠狀病毒感染肺炎應急預案》) and undergone drills for the handling of bodies with COVID-19 according to the Principles of Disposal of Remains of Class A Infectious Diseases (《甲級傳染病遺體處置原則》).

Besides, the Group administered an array of pandemic prevention and control measures under the principle of "Early Detection, Early Reporting, Early Isolation, Early Delivery" (早發現、早報告、早隔離、早送診). To further control the safety of the funeral parlours, preventive measures were implemented at the funeral homes, including:

- Limiting the number of family members allowed for the funeral;
- Sterilising the funeral parlours regularly;
- Applying strict onsite management including guidance, diversion and evacuation of people;
- Checking people's body temperature at the entrances of parlours; and
- Providing valet services and alternative ways for safe grave sweeping.

B.3 Development and Training

The Group views training as a strategic investment for long-term success and believes it is an effective way to unleash its employees' capabilities. Through occupational training, employees can improve their skills and enhance efficiency. Furthermore, continuous improvement fosters good corporate culture and builds a positive image for the Group.

As such, the Group provides many training opportunities for all its employees, aiming to maintain their competitiveness and expand their abilities. Employees are highly encouraged to participate in both internal and external training. For internal training, the Group organises a multitude of on-the-job training for new joiners to introduce the company's corporate culture, business processes, health and safety measures, management systems and overall approach, letting them get familiar with the new working environment. Other than internal training, the Group also assigns its employees to join external training programs and offers additional study leaves for employees to take an external examination. The training and examination fees can be reimbursed upon Department Head's approval.

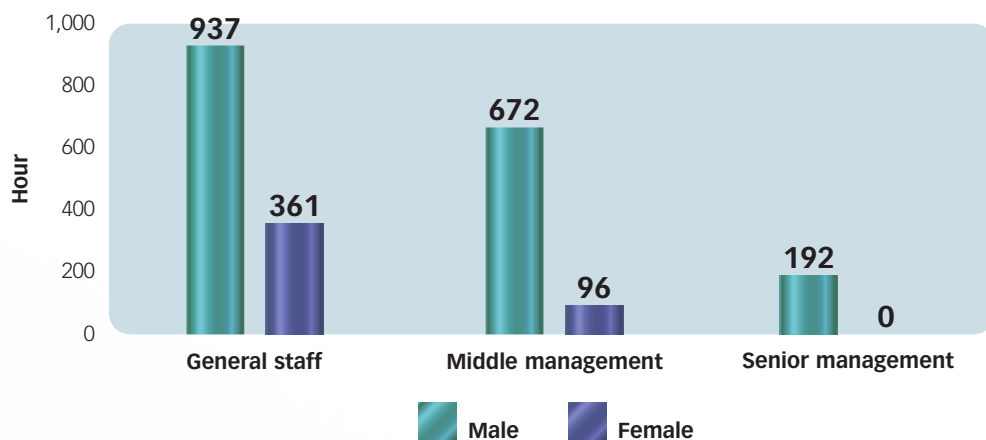
Environmental, Social and Governance Report

In FY2022, 40 employees of the Group received a total of 2,258 hours of training. Since the Group emphasises on the career development of its general staff and frontline workers, around 75% of the employees trained were general staff. More details regarding the employees trained and training hours can be found in Table S5 and S6 below.

Distribution of Employees Trained by Positions, Genders and Training Records in FY2022



Training Hours Distribution by Genders and Positions in FY2022



Environmental, Social and Governance Report

Table S5. Number and Percentage of Employees Trained in the Group by Gender and Position Type in FY2022¹

Total employees trained in FY2022	40
Total employees of the Group as of FY2022 year end	89
% of employees trained	44.9%

Unit: Number of employees	Position			Total
	General staff	Senior management	Director and management	
Male	20	7	2	29
% of employees trained	50.0%	17.5%	5.0%	73.0%
Female	10	1	0	11
% of employees trained	25.0%	2.5%	–	28%
Total	30	8	2	
% of employees trained	75.0%	20.0%	5.0%	

- 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 FY2022. 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 FY2022¹

Unit: Training Hours	Position			Total
	General staff	Senior management	Director and management	
Male	937.0	672.0	192.0	1,801.0
Average training hours	29.3	42.0	32.0	33.4
Female	361.0	96.0	0	457.0
Average training hours	13.9	12.0	0	13.1
Total	1,298.0	768.0	192.0	2,258.0
Average training hours	22.4	32.0	27.4	25.4

- 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.

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B.4 Labour Standards

In FY2022, the Group complied with laws and regulations related to child or forced labour, including but not limited to 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》). The Human Resources Department monitors and ensures the obedience to the most updated laws and regulations to eliminate child labour and forced labour within the Group.

Since the Group has zero tolerance for child labour, underage workers and forced labour, the Human Resources Department requires applicants to submit a valid document for identity verification before confirmed employment. Besides, the Human Resources Department and the Finance Department are responsible for reviewing the employees' personnel documents every six months. Once the Group discovers any non-conformance with the relevant labour law, regulation and standards, the corresponding employee will be terminated immediately.

In FY2022, the Group abided by the relevant laws and regulations regarding the prevention of child and forced labour that have a significant impact on the Group.

OPERATING PRACTICES

B.5 Supply Chain Management

Acknowledging a stable and robust supply chain contributes to business growth, the Group has strived to develop effective supply chain management to handle the associated risks better. In FY2022, the Group's suppliers included retailers of urns, environmentally friendly coffins, wreaths, body bags, shrouds, flowers etc. During the year under review, the Group collaborated with 7 major suppliers located in the PRC and 125 located in Hong Kong, which all are regulated by the Group's supply chain management policies.

The Group maintains and strengthens its relationship with suppliers and contractors by ensuring mutual understanding and smooth communication. Through activities including information sharing and on-site visits, the Group aspires to collaborate with them effectively and trustfully. In the meantime, the Group continues exploring methods to further improve the relationship with them. Besides, the Group clearly defines the rules and standards in the contract and ensures the trades follow the Procurement Manual's business ethics, product quality and environmental requirements, so as to ensure effective communication during supplier engagement.

To select the most suitable suppliers and contractors, the Group rigorously follows the supplier evaluation criteria and selection processes as indicated in the Procurement and Supplier Selection Management System. The Administration Department, Finance Department, Property Department and the General Manager cooperate to facilitate the legit procurement processes, while the Procurement Department examines the potential suppliers and contractors with reference to its material and service quality, business records, project reference, market reputation and fulfilment of social and environmental responsibilities. The essential criteria for supplier selection include the following:

- Legal business license;
- Top-notch product quality, delivery speed, price and services;
- Good reputation in the market; and
- Eco-friendly practices throughout the whole process chain

To better manage its suppliers and contractors and ensure they are acting in a sustainable manner, the Group has closely monitored its supply chain's performance. The Group requires all partnered suppliers and contractors to comply with the terms as stipulated in the contract.

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Furthermore, the Group aspires to identify the social and environmental risks along its supply chain and handle them thoughtfully. As such, the Group conducts performance reviews for its suppliers and contractors on a yearly basis to check if their products and services align with the Group's standards. For the core suppliers, the Administrative Department joins hands with Department Heads to conduct monthly inspections, hoping to notice problems as soon as possible. In case some non-compliant products and services fail to meet the Group's expectations, Corrective Action Requests are issued, and the suppliers must remediate the deficiency promptly.

To demonstrate its commitment to green procurement, the Group aims to purchase all materials from traceable and eco-friendly sources by 2025. In the coming years, the Group is committed to prioritising green products and suppliers.

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 experiences and funeral services to all its valued customers.

Media and Entertainment Business

Law Compliance

The entertainment sector's principal business activities are to organise concerts and exhibitions and to produce media. As such, the Group values intellectual property rights and public safety since these factors affect the quality and attractiveness of the services and products. In FY2022, the Group acted in accordance with the relevant laws and regulations in Hong Kong, Macau and the PRC, including but not limited to the following:

- 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 understands the importance of quality and safety and strives to meet the ever-changing customers' expectation for business growth. Hence, the Group has a Quality Control Team to scrutinise its products' quality and monitor the event safety through onsite facility checkings. At the same time, the Group employs security guards to guarantee the event venues' security and public safety and janitors to clean and disinfect the entire areas before and after the shows. To ensure the instruments and equipment are in good functionality and quality, the Group engages professional engineers to conduct inspections. In addition, the Group invests in and produces entertainment programs with a variety of themes and content, aiming to take different genders and minority groups into consideration. In the year under review, there were no products sold or shipped subject to recalls for safety and health reasons.

Environmental, Social and Governance Report

Advertising

The Group develops internal standards to regulate its advertisements and marketing materials. Besides, the Group consults experienced legal counsel to prevent exaggerated or wrong descriptions in advertisements and marketing materials. During the year under review, the Group 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 respects others' intellectual properties and actively applies for trademarks for its properties. The Management Team is responsible for reviewing the agreements' clauses carefully to avoid trouble and conflicts. Besides, the Group pays extra attention to eradicating infringement. The Group will seek legal advice to protect its interest if it is involved in infringement cases.

During the year under review, 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

To address customers' complaints timely and properly, the Group puts up opinion boxes and 24-hour hotlines to gain public feedback. The Head Office will first verify the opinion. Substantiated complaints will then be delivered to respective departments for remediate actions. The Group is committed to treating all complaints, including ticket-related and refund matters seriously. In FY2022, there were no substantiated complaints from its customers.

Funeral Services Businesses

Law Compliance

In FY2022, the Group's daily operations abided by the 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

To provide outstanding services and hold decent ceremonies for the deceased, the Group has maintained a proper parlour environment and improved the facilities' quality to meet the bereaved families' needs. Besides, the Group has strived to provide professional services and enhance thoughtfulness to lessen customers' worries and concerns.

To promote "Green Funeral" and minimise human disturbance to the environment, the Group promotes simple but respectful funeral practices. In the coming years, the Group plans to expand the "Green Funeral" culture further to reduce its business environmental nuisances. With the local government guidance, the Group designated areas for arbour burial, flower burial and grassland burial.

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The Group believes two-way communication is the best mean to understand the bereaved families' needs and deliver satisfying services accordingly. To facilitate effective communication, the Group has constructed meeting rooms and arranged reception staff to greet and assist the customers, intending to create a conformable and peaceful atmosphere. Besides, the Group has scheduled professional social workers to give counselling if necessary.

The Group's effort is recognised with clients' compliments and appreciation. Furthermore, the Group is awarded as the "Civilised Unit of Huaiji County" (懷集縣文明單位) by the local authorities and was classified as the "Secondary Funeral Parlour of Guangdong Province" (廣東省二級殯儀館) by the Guangdong Civil Affairs Department.

Health and Safety

The Group prioritises public well-being by formulating stringent hygiene standards. For instance, the Group sterilises the remains once they arrive at the parlour and arrange professional janitors to clean the cemetery at least twice a day.

To enhance the quality and safety of the ashes, which are 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. In the meantime, the plumbers inspect the cremation facilities regularly to ensure safety. Since the cemetery started operation in the last decade, zero cases of ashes deterioration or urn loss have ever occurred.

Privacy matters

The Group ensures that all rights and interests of customers are strictly protected by obeying 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.

Personal data collected will only be used for the purposes as predefined, while all employees are prohibited from disclosing any confidential information to external parties without customers' authorisations. Besides, the Group has established an internal file management system to archive all the cremation information. To raise employees' awareness, professional training courses in privacy protection and confidentiality agreements are provided. Meanwhile, the IT Department of the Group sets restrictions between the office and the commercial network to prevent any unauthorised use, export or copy of customer data.

Given the business nature, labelling and recall procedures are not applicable nor material to the Group's business, thereby not being discussed in this Report. There was no any recalls of products sold or shipped for safety and health reasons in the reporting year.

In FY2022, the Group's all business sectors 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 have a significant impact on the Group.

B.7 Anti-corruption

Since ethics and morals are vital to the Group's reputation and image, the Group has committed to creating an ethical business culture, which boosts productivity and facilitates outstanding services and products.

In FY2022, the Group complied with the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducts its business, including 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).

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The outstanding performance in ethical conducts is attributed to effective management, such as the Clean Governance System (《黨風廉政建設制度》) and Proper Management System (《行風建設管理制度》). These internal systems regulate its employees' practices and manage business-correlated bribery and corruption risks. All employees are required to perform their duties uprightly and disciplinarily. Besides, employees should not engage in bribery, extortion, fraud and money laundering activities that might affect business decisions or independent judgment and exploit the Group's interests.

The Group has developed a functional whistleblowing mechanism to spot inappropriate behaviours as soon as possible. Specifically, whistle-blowers can report suspicious cases through the supervision hotline or opinion box. Whistle-blowers are encouraged to inform the department or the Group's senior management of any misconduct with solid evidence and details. In addition to ensuring the effective implementation of the whistleblowing system through continuous monitoring, the Administrative Department is also responsible for conducting investigations against any suspicious or illegal behaviours 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.

The employees play an essential role in sustaining the Group's excellent ethical performance. In FY2022, the Group organised various training and talks to educate its employees about the correct mindset and conduct. In particular, the Group visited the Guang Ning County Integrity Education Base (廣寧縣廉政教育基地) to learn about anti-corruption and integrity in July. In the year under review, the Group held 318 hours of anti-corruption related training for 26 general employees and 10 managerial staff.

In FY2022, 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.

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COMMUNITY

B.8 Community Investment

Adhering to its corporate vision, the Group has strived to contribute to the communities it serves to unleash its potential. As a strong entertainment company, the Group aspires to leverage its resources and capability to positively impact society and enhance people's quality of life. Through engagement, the Group understands the pressing needs of the deprived groups and allocates its resources accordingly.

Supporting the Underprivileged

In FY2022, the Group's participation in charitable events was limited due to pandemic preventive measures. Nonetheless, the Group tried its best to fulfil its corporate responsibility through other means. For instance, the Group sponsored Huaiji County Welfare Institute (懷集縣福利院) to hold Children's Day activities and donated RMB25,000 for caring for the disabled. Meanwhile, to help under the difficult pandemic situation in late 2022 in the PRC, the Group also donated RMB10,000 yuan to Zhaoqing City Charity Association (肇慶市慈善會).

*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.



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VI. REPORT DISCLOSURE INDEX

HKEX ESG Reporting Guide content index

Aspects	ESG Indicators	Description	Page
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NO _x , SO _x , and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	29
	KPI A1.1	The types of emissions and respective emissions data.	30
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	30
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	30
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	30
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	31, 32
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	32
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	33
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	33
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	33
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	33, 34
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	34
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	34

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Aspects	ESG Indicators	Description	Page
A. Environmental <i>(continued)</i>			
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	35
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	34
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	35
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	35
B. Social			
Employment and Labour Practices			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	36
	KPI B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	36, 37
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	38
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	39
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	39
	KPI B2.2	Lost days due to work injury.	39
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	39
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	40
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	42
	KPI B3.2	The average training hours completed per employee by gender and employee category.	42

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Aspects	ESG Indicators	Description	Page
B. Social <i>(continued)</i>			
Employment and Labour Practices <i>(continued)</i>			
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	43
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	43
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	43
Operating Practices			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	43
	KPI B5.1	Number of suppliers by geographical region.	43
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	43
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	44
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	44
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	44
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	44
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	45
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	45
	KPI B6.4	Description of quality assurance process and recall procedures.	44
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	46

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Aspects	ESG Indicators	Description	Page
B. Social <i>(continued)</i>			
Operating Practices <i>(continued)</i>			
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	44
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	47
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	47
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	47
Community			
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	48
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	48
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	48

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chong Cho Lam (“Mr. Chong”), aged 44, joined the Group on 16 May 2018. Mr. Chong has worked in the media and entertainment field over 20 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 42, joined the Group on 4 May 2015. Mr. Dong has a high standard over the quality of his products and services. He has extensive experience in marketing and promotion in 5 star hotels and resorts. Mr. Dong has also organized and invested in over 20 Asian superstars’ concerts, including Jacky Cheung, Aaron Kwok Fu Shing, Leon Lai, May Day, Jay Chou, George Lam. He has also participated in various awarding winning films such as *Vulgaria*, *SPL II*, *Paradox*, *The White Storm II*, *The Brink*, *Limbo*, *Time*, *Aberdeen*, *Chasing the Dragon* and *Palm Springs*.

After completing his diploma in Information Technology in Australia, Mr. Dong has completed a professional program in Producing in University of California Los Angeles. Subsequently Mr. Dong has completed an executive diploma in Corporate Governance and Sustainability Directorship with the Hong Kong Institute of Directors and the University of Cambridge. Mr. Dong has always supported the society by participating in charity and social ventures.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Ip Wai Hung (“Dr. Ip”), aged 65, 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 57, 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 68, 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 5 June 2009 to 31 January 2020 and Get Nice Holdings Limited (stock code: 64) from 1 September 2014 to 27 March 2023.

SENIOR MANAGEMENT

Mr. Jip Ki Chi (“Mr. Jip”), aged 53, 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 Hebei Yichen Industrial Group Corporation Limited (Stock code: 1596). Mr. Jip was an independent non-executive director of China MeiDong Auto Holdings Limited (stock code: 1268) from November 2013 to November 2022.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2022.

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 2022 are set out in note 4 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss on page 68. The Directors do not recommend the payment of a dividend for the year ended 31 December 2022 (31 December 2021: 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 170 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 2022, the total revenue from media and entertainment businesses was approximately HK\$16,070,000, which was 54.01% lower than that of the corresponding period of last year of approximately HK\$34,939,000. The decrease was mainly due to less entertainment events organised during the year. During the year, revenues were mainly derived from organisation of concert and other entertainment events, sponsorship income, and artiste management and performance, while offset by negative return on investments in concert, other entertainment event, film and TV drama production projects. The Group organised 2 concerts (2021: 1 concert); organised nil exhibition (2021: 3 exhibitions); organised nil drama (2021: 1); and organised nil pop-up stores (2021: 7 stores) during the year.

Cremation and funeral services businesses

Cremation, funeral and related business operations were enhanced during the year ended 31 December 2022 and their total revenue for the year (including relevant government subsidies recognised) was approximately HK\$19,688,000, which was 39.73% higher than that of the corresponding period of last year of approximately HK\$14,090,000. The increase was mainly due to (i) more customers used the high-grade cremation services; (ii) some new value-added funeral services were launched during the year; and (iii) revenue contributed by pet funeral services in Hong Kong.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2022 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 2022 are set out in note 27 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 2022.

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 2022.

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
Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick

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. Dong Choi Chi, Alex, Mr. Chan Wai Man 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.

EVENTS AFTER THE REPORTING PERIOD

1. Disposal of assets ("Disposal of Assets")

On 17 February 2023 (after trading hours), Sun Bond Engineering Limited (the "Vendor"), an indirect non-wholly owned subsidiary of the Company, entered into the sale and purchase agreement with Daymaker Creatives Limited in relation to the disposal of the audio, lighting and state equipment owned by the Vendor for a consideration of HK\$3.8 million.

Details of the above Disposal of Assets is set out in the announcement of the Company dated 17 February 2023.

Directors' Report

2. Issue of new Shares under general mandate and inside information relating to the entering into of strategic cooperation agreements (“Issue of new Shares and entering into of Strategic Cooperation Agreements”)

On 17 March 2023 (after trading hours), the Company and Sunny Side Up Entertainment Asia Limited (“Sunny Side Up”), a wholly-owned subsidiary of the Company, entered into (1) the Strategic Cooperation Agreement (the “Strategic Cooperation Agreement A”) with Clubbing In Asia Group Holdings Limited (“Consultant A”); (2) the Strategic Cooperation Agreement (the “Strategic Cooperation Agreement B”) with Mr. Tse Kar Ho Simon (“Consultant B”), an independent third party; (3) the Strategic Cooperation Agreement (the “Strategic Cooperation Agreement C”) with Daymaker Creatives Limited (“Consultant C”); and (4) the Strategic Cooperation Agreement (the “Strategic Cooperation Agreement D”, together with Strategic Cooperation Agreement A, Strategic Cooperation B and Strategic Cooperation Agreement C, the “Strategic Cooperation Agreements”) with Chessman Entertainment Concert Company Limited (“Consultant D”, together with Consultant A, Consultant B and Consultant C, the “Consultants”), pursuant to which (i) Sunny Side Up has agreed to engage each of the Consultants for the provision of services, and (ii) each of the Consultants has agreed to render services to the Group on the terms conditions set out in each of the Strategic Cooperation Agreements.

In consideration of the services provided, Sunny Side Up shall pay to each of the Consultants or their respective nominee(s):

1. 15,000,000 Shares to be allotted and issued by the Company to each of the Consultants or their respective nominee(s) if the respective target profit achieved is not less than HK\$1,500,000 by or before the end of a period of two years from the date of each of the Strategic Cooperation Agreements (the “Term”); or
2. 30,000,000 Shares to be allotted and issued by the Company to each of the Consultants or their respective nominee(s) if the respective target profit achieved is not less than HK\$3,000,000 by or before the end of the respective Term; or
3. in the events that the respective target profit achieved is less than HK\$1,500,000 by the end of the respective Term, the Consultant(s) shall not be entitled to and the Company shall not allot and issue any Shares to the Consultant(s).

Details of the above Issue of new Shares and Entering into of Strategic Cooperation Agreements are set out in the announcement of the Company dated 17 March 2023.

3. Entering into loan agreement

On 10 March 2023, an indirect wholly-owned subsidiary of the Company entered into a short term loan agreement with Great Expect Development Limited, an independent third party for a loan amount of HK\$30,000,000 at an interest of 6.5% per annum. The loan was drawn down on 24 March 2023.

Save as disclosed above, the Directors are not aware of any subsequent event which had a material effect on the Group which have occurred after 31 December 2022.

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

At 31 December 2022, the interests of the Directors and the chief executives and their associates in the shares, underlying shares and debentures of the Company and its associates, 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

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. Dong Choi Chi, Alex ("Mr. Dong")	Beneficial owner	1	517,589,426	20,900,000	538,489,426	25.69%
Mr. Chong Cho Lam ("Mr. Chong")	Beneficial owner	2	3,600,000	32,366,000	35,966,000	1.72%
Mr. Chan Wai Man	Beneficial owner	1	–	1,000,000	1,000,000	0.05%
Mr. Siu Hi Lam, Alick	Beneficial owner	1	–	1,000,000	1,000,000	0.05%

Notes:

- For details of the underlying shares, please refer to the next section headed "Share Options Schemes" which stated all the details of share options granted to Directors.
- The underlying shares represent (i) 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; and (ii) 20,900,000 share options granted by the Company to Mr. Chong to subscribe for 20,900,000 shares at exercise price of HK\$0.029 per share.

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations.

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 (including, among others, directors, employees, business or joint venture partners, consultants, advisers, customers and distributors of the Group) who will contribute and had contributed to the success of the Group's operations as incentives or rewards.

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

Pursuant to the New Share Option Scheme, the participants may subscribe for the Shares on the exercise of an option at the price determined by the Board provided that it shall be at least the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is offered to a participant, which must be a business date (the "Offer Date"); (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (c) the nominal value of a Share on the Offer Date. The fair value of the share options granted during the year ended 31 December 2022 was HK\$1,326,000, of which HK\$660,000 was granted to directors and HK\$666,000 was granted to employees.

The total number of Shares which may be issued under the New Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the Shares in issue as at the date of the approval of the New Share Option Scheme. As such, the total number of Shares available for issue under the New Share Option Scheme would be 125,079,800 Shares, representing approximately 5.97% of the issued share capital of the Company as at the date of the 2022 Annual Report. A consideration of HK\$1.00 is payable on acceptance of the grant of an option within such time as may be specified in the offer (which shall not be later than 21 days from the Offer Date).

As at 31 December 2022, a total of 201,788,800 share options were remained outstanding, representing approximately 9.63% 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 28 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 2022 were as follows:

	Number of share options				Outstanding and exercisable as at 31 December 2022	Date of grant	Exercise period	Vesting Period	Exercise price per share	Closing share price immediate before the date of grant
	Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Forfeited/lapsed/cancelled during the year						
Category 1: Director										
Mr. Chan Wai Man	-	1,000,000	-	-	1,000,000	13 Oct 2022	13 Oct 2022 - 12 Oct 2032	Vested on date of grant	HK\$0.029	HK\$0.027
Mr. Chong	11,466,000	-	-	-	11,466,000	12 April 2021	12 April 2021 - 11 April 2024	Vested on date of grant	HK\$0.232	HK\$0.280
Mr. Chong	-	20,900,000	-	-	20,900,000	13 Oct 2022	13 Oct 2022 - 12 Oct 2032	Vested on date of grant	HK\$0.029	HK\$0.027
Mr. Dong	-	20,900,000	-	-	20,900,000	13 Oct 2022	13 Oct 2022 - 12 Oct 2032	Vested on date of grant	HK\$0.029	HK\$0.027
Mr. Siu Hi Lam, Alick	-	1,000,000	-	-	1,000,000	13 Oct 2022	13 Oct 2022 - 12 Oct 2032	Vested on date of grant	HK\$0.029	HK\$0.027
Sub total	11,466,000	43,800,000	-	-	55,266,000					
Category 2: Employees/consultants										
Employees	10,829,000	-	-	(3,185,000)	7,644,000	12 July 2019	12 July 2019 - 11 July 2029	Vested on date of grant	HK\$0.581	HK\$0.720
Consultants	9,937,200	-	-	(6,752,200)	3,185,000	12 July 2019	12 July 2019 - 11 July 2029	Vested on date of grant	HK\$0.581	HK\$0.720
Employees	7,644,000	-	-	(1,911,000)	5,733,000	12 April 2021	12 April 2021 - 11 April 2024	Vested on date of grant	HK\$0.232	HK\$0.280
Consultants	42,679,000	-	-	(18,855,200)	23,823,800	12 April 2021	12 April 2021 - 11 April 2024	Vested on date of grant	HK\$0.232	HK\$0.280
Consultants	64,337,000	-	-	-	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
Employees	-	41,800,000	-	-	41,800,000	13 Oct 2022	13 Oct 2022 - 12 Oct 2032	Vested on date of grant	HK\$0.029	HK\$0.027
Sub total	135,426,200	41,800,000	-	(30,703,400)	146,522,800					
Total of all categories	146,892,200	85,600,000	-	(30,703,400)	201,788,800					

There were 30,703,400 share options which lapsed/cancelled during the year ended 31 December 2022.

The New Share Option Scheme will remain valid and effective for a period of 10 years commencing on 15 September 2021, which was the date of adoption 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 and outstanding under the Share Award Scheme during the year ended 31 December 2022.

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

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

As at 31 December 2022, 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 and underlying shares	Long/short position	Percentage of issued share capital
Mr. Dong	Beneficial owner		538,489,426	Long	25.69%
KONGOR Investment Holding Limited	Beneficial owner	1	223,880,000	Long	10.68%
New Brilliant Investments Limited	Beneficial owner	2	158,414,496	Long	7.56%
Mr. Chui Bing Sun ("Mr. Chui")	Beneficial owner	3	1,800	Long	0.00%
	Interest of controlled corporation	1 and 2	382,294,496	Long	18.24%
			382,296,296		18.24%
Albula Investment Fund Ltd	Beneficial owner		105,120,000	Long	5.02%

Notes:

1. KONGOR Investment Limited is incorporated in the British Virgin Islands. It is wholly and beneficiary owned by Mr. Chui. Mr. Chui is deemed to be interested in the shares held by KONGOR Investment Limited by virtue of Part XV of the SFO.
2. New Brilliant Investments Limited is incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui. Mr. Chui is deemed to be interested in the shares held by New Brilliant Investments Limited by virtue of Part XV of the SFO.
3. Mr. Chui is also holding 1,800 shares as beneficial owner.

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, 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.

None of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

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 2022 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 34 to the consolidated financial statement, no contract of significance, to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2022 or at any time during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group did not enter into any connected transaction, but had the following continuing connected transaction, details of which had been disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

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 took effect on 21 January 2021 and shall continue in force until 31 December 2023.

The JV Company is indirectly held as to 70% by the Company and 30% by Mr. Lam Kong Yam. JK Brothers Production and JK Brothers Engineering are indirectly held as to 40% and 49%, respectively, by Mr. Lam Kong Yam, and 30% of JK Brothers Production held by Mr. Lam Kong Ming. Mr. Lam Kong Ming is the brother of Mr. Lam Kong Yam. As such, pursuant to the GEM Listing Rules, each of the JV Company, JK Brothers Production, JK Brothers Engineering and Mr. Lam Kong Ming is also a connected person at the subsidiary level of the Company by virtue of being an associate of Mr. Lam Kong Ming.

The independent non-executive Directors of the Company have conducted annual review on the above continuing connected transaction 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.

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 (Revised) Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Based on the work performed, the auditor has confirmed in a letter to the Board that:

- (a) nothing has come to the attention of the auditor that causes them to believe that the disclosed continuing connected transaction has not been approved by the Board;
- (b) nothing has come to the attention of the auditor that causes them to believe that the transaction was not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (c) nothing has come to the attention of the auditor that causes them to believe that the disclosed continuing connected transaction has exceeded the annual caps set by the Company.

Directors' Report

The annual cap in respect of the transactions under the Cooperation Framework Agreement for the three financial years ending 31 December 2023 are HK\$15,000,000, HK\$15,000,000 and HK\$15,000,000.

During the year ended 31 December 2022, the total transaction amount of human resources charged by JK Brothers Engineering and/or JK Brothers Production under cooperation framework agreement was approximately HK\$1,745,000.

RELATED PARTY TRANSACTIONS

A summary of the related party transactions undertaken by the Group during the year ended 31 December 2022 is set out in note 34 to the financial statements. Such related party transactions did not constitute connected transactions of the Group under Chapter 20 of the GEM Listing Rules.

RETIREMENT BENEFITS SCHEMES

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

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year ended 31 December 2022.

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 Aurora Entertainment Holdings Limited, which together with its subsidiaries, including Sun Entertainment Culture Limited, are principally engaged in investment holding, artiste and model management, entertainment, publishing and film and concert production and coordination. He is also the sole owner and director of Accela Entertainment Limited, which is principally engaged in the entertainment, publishing and music production. Mr. Dong is also one of the ultimate beneficial owners and a director of Sun Motion (Hong Kong) Limited, which together with its subsidiary are principally engaged in investment holding, entertainment and music production in Mainland China. 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 2022.

EMOLUMENT POLICY

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

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

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

Directors' Report

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 2022, 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 2022, the Group made charitable and other donations amounting to approximately HK\$41,000, (31 December 2021: HK\$30,000).

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2022, 31 December 2021 and 31 December 2020 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 2023 AGM. The Company has not changed its external auditor during the year ended 31 December 2022 and up to the date of this annual report.

On behalf of the Board

Dong Choi Chi, Alex

Chairman and executive Director

29 March 2023

Independent Auditor's Report



To the shareholders of Yeah Yeah Group Holdings Limited (Formerly known as 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 Yeah Yeah Group Holdings Limited (formerly known as Sun Entertainment Group Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 169, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of an intangible asset with indefinite useful life</i></p>	
<p>As at 31 December 2022, the Group had an intangible asset with indefinite useful life representing operating rights in relation to certain cremation business with a carrying amount of approximately HK\$9,109,000 (the "Intangible Asset"). An intangible asset with indefinite useful life is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.</p>	<p>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:</p>
<p>Impairment is determined by assessing the recoverable amount of the cash-generating unit ("CGU") to which the Intangible Asset relates and whether the recoverable amount of the CGU is less than its carrying amount. For the year under review, the recoverable amount of the CGU has been determined by management based on a value in use calculation using cash flow projections specific to the CGU and applying a discount rate which reflects specific risks relating to the CGU, with the assistance from certain independent professionally qualified valuers (the "external valuers").</p>	<ul style="list-style-type: none"> • we assessed the key assumptions used in management's cash flow projections, including, among others, budgeted/forecasted revenue and results of operations, long term growth rate and discount rate applicable to the CGU; • 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; • we evaluated management's assessment about reasonable possible changes in relevant key assumptions and estimates; and • we evaluated the adequacy of related disclosures in the consolidated financial statements.
<p>The impairment testing of the Intangible Asset required management to make certain assumptions and estimates that would affect the reported amount of the Intangible Asset and related disclosures in the consolidated financial statements.</p>	
<p>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.</p>	
<p>Related disclosures are included in notes 3 and 15 to the consolidated financial statements.</p>	

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

29 March 2023

Consolidated Statement of Profit or Loss

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
REVENUE	5	35,758	49,029
Cost of sales		(27,438)	(47,111)
Gross profit		8,320	1,918
Other income and gains	5	1,432	1,101
Selling, marketing and distribution expenses		(9,419)	(7,775)
Impairment of trade and other receivables, net		(2,074)	(13,920)
General, administrative and other expenses		(58,548)	(51,373)
Finance costs	7	(1,327)	(1,273)
Share of profits and losses of joint ventures		(62)	–
LOSS BEFORE TAX	6	(61,678)	(71,322)
Income tax expense	10	(914)	(295)
LOSS FOR THE YEAR		(62,592)	(71,617)
Attributable to:			
Owners of the Company		(58,452)	(69,142)
Non-controlling interests		(4,140)	(2,475)
		(62,592)	(71,617)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted (HK cents)		(2.79)	(4.42)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
LOSS FOR THE YEAR	(62,592)	(71,617)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(3,008)	856
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(65,600)	(70,761)
Attributable to:		
Owners of the Company	(61,317)	(68,303)
Non-controlling interests	(4,283)	(2,458)
	(65,600)	(70,761)

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	19,667	22,936
Right-of-use assets	14(a)	1,479	4,500
Intangible assets	15	12,341	13,516
Investments in joint ventures	16	1,088	–
Investment in an associate	17	–	–
Investment in a film production project	18	1,157	1,345
Prepayments, deposits and other assets	21	13,420	12,306
Total non-current assets		49,152	54,603
CURRENT ASSETS			
Inventories	19	380	5,054
Investments in concert, other entertainment event, film and TV drama production projects	18	14,583	11,064
Trade receivables	20	9,924	4,988
Prepayments, deposits and other receivables	21	22,155	19,285
Tax recoverable		–	68
Cash and cash equivalents	22	47,490	114,644
Total current assets		94,532	155,103
CURRENT LIABILITIES			
Trade payables, other payables, accruals and other liabilities	23	33,797	34,837
Deferred income	25	459	714
Lease liabilities	14(b)	1,641	3,011
Tax payable		8,284	7,325
Total current liabilities		44,181	45,887
NET CURRENT ASSETS		50,351	109,216
TOTAL ASSETS LESS CURRENT LIABILITIES		99,503	163,819

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		99,503	163,819
NON-CURRENT LIABILITIES			
Deferred income	25	2,098	2,695
Lease liabilities	14(b)	95	1,418
Other borrowing	24	35,000	35,000
Deferred tax liabilities	26	2,277	2,386
Total non-current liabilities		39,470	41,499
Net assets		60,033	122,320
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	52,400	52,400
Reserves	30	10,138	68,142
		62,538	120,542
Non-controlling interests		(2,505)	1,778
Total equity		60,033	122,320

Chong Cho Lam
Director

Dong Choi Chi, Alex
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

Notes	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Share-based payment reserve HK\$'000	Shares held under share award scheme HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 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	27	21,130	97,200	-	-	-	-	118,330	-	118,330
Share issue expenses	27	-	(1,897)	-	-	-	-	(1,897)	-	(1,897)
Equity-settled share option arrangements	28	-	-	-	11,375	-	-	11,375	-	11,375
Equity-settled share award arrangements	28	-	-	-	(318)	-	-	(318)	-	(318)
At 31 December 2021 and 1 January 2022	52,400	445,446*	31,713*	1,942*	18,324*	(391)*	(428,892)*	120,542	1,778	122,320
Loss for the year	-	-	-	-	-	-	(58,452)	(58,452)	(4,140)	(62,592)
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	-	-	-	(2,865)	-	-	-	(2,865)	(143)	(3,008)
Total comprehensive loss for the year	-	-	-	(2,865)	-	-	(58,452)	(61,317)	(4,283)	(65,600)
Equity-settled share option arrangements	28	-	-	-	3,313	-	-	3,313	-	3,313
Transfer of share-based payment reserve upon the cancellation/lapse/forfeiture of share options	28	-	-	-	(6,867)	-	6,867	-	-	-
At 31 December 2022	52,400	445,446*	31,713*	(923)*	14,770*	(391)*	(480,477)*	62,538	(2,505)	60,033

* These reserve accounts comprise the consolidated reserves of HK\$10,138,000 (2021: HK\$68,142,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(61,678)	(71,322)
Adjustments for:			
Amortisation of deferred income	6	(610)	(511)
Depreciation of property, plant and equipment	6	3,492	3,814
Depreciation of right-of-use assets	6	2,631	1,235
Amortisation of an intangible asset	6	223	223
Impairment of trade receivables, net	6	2,306	2,258
Impairment/(reversal of impairment) of other receivables, net	6	(232)	11,662
Impairment of loan to an associate	6	–	1,800
Impairment of property, plant and equipment	6	2,680	–
Impairment of an intangible asset	6	200	550
Gain on lease termination	6	(5)	–
Loss on disposal of items of property, plant and equipment	6	130	227
Equity-settled share-based payments expense, net	6	3,313	11,057
Share of profits and losses of joint ventures	6	62	–
Finance costs	7	1,327	1,273
		(46,161)	(37,734)
Decrease/(increase) in inventories		4,642	(4,134)
Increase in trade receivables		(6,630)	(3,283)
Increase in prepayments, deposits, other receivables and other assets		(3,095)	(268)
Increase in investments in concert, other entertainment event, film and TV drama production projects, net		(3,870)	(2,420)
Increase/(decrease) in trade payables, other payables, accruals and other liabilities		(2,935)	10,656
Increase/(decrease) in deferred income		(242)	1,465
Cash generated used in in operations		(58,291)	(35,718)
Overseas taxes refunded/(paid)		113	(399)
Net cash flows used in operating activities		(58,178)	(36,117)

continued/...

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(4,012)	(11,014)
Proceeds from disposal of items of property, plant and equipment		81	–
Acquisition of a subsidiary		20	–
Advance to a joint venture		(1,137)	–
Increase in loan to an associate		–	(1,800)
Net cash flows used in investing activities		(5,048)	(12,814)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	27(a)	–	118,330
Share issue expenses	27(a)	–	(1,897)
New other borrowing		–	15,000
Principal portion of lease payments		(2,301)	(1,275)
Interest paid		(101)	(728)
Net cash flows from/(used in) financing activities		(2,402)	129,430
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		114,644	34,037
Effects of foreign exchange rate changes, net		(1,526)	108
CASH AND CASH EQUIVALENTS AT END OF YEAR		47,490	114,644
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	47,490	114,644

Notes to Financial Statements

31 December 2022

1. CORPORATE AND GROUP INFORMATION

Yeah Yeah Group Holdings Limited (formerly known as 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.

Pursuant to a special resolution passed at a special general meeting of the Company during the year, the name of the Company was changed from Sun Entertainment Group Limited to Yeah Yeah Group Holdings Limited and the dispensation of the dual foreign name in Chinese of the Company, being 太陽娛樂集團有限公司.

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 黑芝麻娛樂文化(北京)有限公司 ^{(a)(b)(c)}	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	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		Provision of platform and related 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 ^{(a)(b)(c)}	PRC/Mainland China	RMB10,500,000	100		Provision of cremation and funeral services

continued/...

Notes to Financial Statements

31 December 2022

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 Indirect	Principal activities
Incubase Studio Limited	Hong Kong	HK\$500,000	60	Evert management, design, intellectual property development and consultation services, and organising and investing in cultural art, entertainment and related projects
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
Rising Sun Entertainment Limited ("Rising Sun")	Hong Kong	HK\$10	80	Artiste management
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
Sunny Side Up Entertainment Asia Limited (formerly known as 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\$100	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 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 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 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 2022

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 other financial instruments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 undertakings; 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.

Notes to Financial Statements

31 December 2022

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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 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* (the "Conceptual Framework") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

Notes to Financial Statements

31 December 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (b) 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 as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *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 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

Notes to Financial Statements

31 December 2022

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 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1,5}
Amendments to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{2,4} (the “2020 Amendments”) ^{2,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion

⁵ 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

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

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

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.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). 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 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements in the period of initial application.

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

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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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 in HKAS 12 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 (provided that sufficient taxable profit is available) 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. The Group is currently assessing the impact of the amendments. Subject to further assessment, the amendments are not expected to have a significant impact on the Group's financial statements in the period of internal application.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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's investments in associates and joint ventures 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 and joint ventures 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 or joint ventures, 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 or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

Interests in joint operations

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

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.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

Fair value measurement

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

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

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

Notes to Financial Statements

31 December 2022

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

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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- (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.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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 lease terms and the estimated useful lives of the assets as follows:

Properties	1 to 2 years
Equipment	5 years

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(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 properties (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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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.

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, including, but not limited to, the Group’s credit risk control practices and the historical recovery rate of financial assets over certain days past due, 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, 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 2022***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 2022

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 a concert or other entertainment events is generally recognised upon the occurrence of relevant concert or other entertainment event and when relevant services/activities 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/activities 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 event/activities is generally recognised upon the occurrence of the specific events/activities and/or when the relevant services/activities 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 asset.

Notes to Financial Statements*31 December 2022***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 in exchange for equity instruments ("equity-settled transactions").

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

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

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 scheme

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 2022***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 29 to the financial statements, management assessed the relevant terms and conditions of certain share-based payment arrangement with a consultant, with due consideration of the substance and purpose of the arrangement as a whole, to determine the appropriate accounting treatment and valuation basis for the respective components of the arrangement. Significant accounting judgements 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 29 to the financial statements.

Estimation uncertainty

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

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 2022

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.

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 36 to the financial statements.

Share options

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

Notes to Financial Statements*31 December 2022***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.

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4. OPERATING SEGMENT INFORMATION

Year ended 31 December 2022/as at 31 December 2022

	Media and entertainment HK\$'000	Cremation and funeral services HK\$'000	Total HK\$'000
Segment revenue (note 5)			
Revenue from contracts with external customers	17,337	11,985	29,322
Other revenue [#]	(1,267)	7,703	6,436
	16,070	19,688	35,758
Segment results	(47,634)	1,640	(45,994)
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(14,357)
Finance costs			(1,327)
Loss before tax			(61,678)
Segment assets	86,747	31,349	118,096
<i>Reconciliation:</i>			
Corporate and other unallocated assets			25,588
Total assets			143,684
Segment liabilities	(27,382)	(15,178)	(42,560)
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			(41,091)
Total liabilities			(83,651)
Other segment information			
Share of profits and losses of:			
Joint ventures	(62)	–	(62)
Depreciation and amortisation	3,541	122	3,663
Loss on disposal/write-off of items of property, plant and equipment	–	130	130
Impairment of trade and other receivables, net	2,061	13	2,074
Impairment of property, plant and equipment	2,680	–	2,680
Write-down of inventories to net realisable value	4,716	–	4,716
Capital expenditure*	66	3,946	4,012
Investments in joint ventures	1,088	–	1,088

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

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

Notes to Financial Statements

31 December 2022

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

[#] 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 2022

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from contracts with external customers

	2022 HK\$'000	2021 HK\$'000
Hong Kong	14,623	25,062
Mainland China	10,607	7,677
Macau	1,047	4,072
Taiwan	3,045	7,265
	29,322	44,076

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

	2022 HK\$'000	2021 HK\$'000
Hong Kong	5,586	6,471
Mainland China	22,777	23,584
Macau	4,997	10,772
Others	78	125
	33,438	40,952

The non-current asset information above is based on the locations of the assets/underlying assets and excludes financial instruments, amounts due from joint ventures, prepayments and other assets.

Notes to Financial Statements

31 December 2022

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:

	2022 HK\$'000	2021 HK\$'000
External party	7,703	6,277

* 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:

	2022 HK\$'000	2021 HK\$'000
<i>Revenue from contracts with customers</i>		
Provision of cremation and funeral services and sale of related goods	11,985	7,813
Concert and other entertainment event income and sale of related goods	11,578	35,063
Artiste management and performance services income	5,759	1,200
	29,322	44,076
<i>Revenue from other sources</i>		
Rendering of cremation services*	7,703	6,277
Loss on investments in concert, other entertainment event, film and TV drama production projects, net (note 36)	(1,267)	(1,324)
	6,436	4,953
	35,758	49,029

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

Notes to Financial Statements

31 December 2022

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2022

Segments	Media and entertainment HK\$'000	Cremation and funeral services HK\$'000	Total HK\$'000
Types of goods or services			
Sale of goods	2,242	1,354	3,596
Cremation and funeral services	–	10,631	10,631
Concert and other entertainment event organisation	9,287	–	9,287
Sponsorship	49	–	49
Artiste management and performance	5,759	–	5,759
Total revenue from contracts with customers	17,337	11,985	29,322
Geographical markets			
Hong Kong	12,915	1,708	14,623
Mainland China	330	10,277	10,607
Macau	1,047	–	1,047
Taiwan	3,045	–	3,045
Total revenue from contracts with customers	17,337	11,985	29,322
Timing of revenue recognition			
Goods transferred at a point in time	2,242	1,354	3,596
When relevant services are provided/performed and/or relevant events/activities occurred	15,095	10,631	25,726
Total revenue from contracts with customers	17,337	11,985	29,322

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31 December 2022

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) *Disaggregated revenue information* (continued)

For the year ended 31 December 2021

	Media and entertainment HK\$'000	Cremation and funeral services HK\$'000	Total HK\$'000
Types of goods or services			
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
Total revenue from contracts with customers	36,263	7,813	44,076
Geographical markets			
Hong Kong	24,926	136	25,062
Mainland China	–	7,677	7,677
Macau	4,072	–	4,072
Taiwan	7,265	–	7,265
Total revenue from contracts with customers	36,263	7,813	44,076
Timing of revenue recognition			
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
Total revenue from contracts with customers	36,263	7,813	44,076

Notes to Financial Statements

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5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

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

Sale of goods

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

	2022 HK\$'000	2021 HK\$'000
Other income and gains		
Government subsidies [#]	611	–
Service fee income	–	476
Others	821	625
	1,432	1,101

[#] 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.

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6. LOSS BEFORE TAX

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

	Notes	2022 HK\$'000	2021 HK\$'000
Cost of inventories sold		112	5,131
Depreciation of property, plant and equipment	13	3,492	3,814
Depreciation of right-of-use assets	14(a)	2,631	1,235
Amortisation of an intangible asset*	15	223	223
Lease payments not included in the measurement of lease liabilities	14(c)	1,611 [#]	1,834
Auditor's remuneration		2,850	2,600
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Salaries, bonuses and other benefits		27,497	14,935
Equity-settled share-based payment expense, net**		1,326	1,689
Pension scheme contributions (defined contribution schemes) ^{^^}		583	386
		29,406	17,010
Equity-settled share option expense in respect of share options granted to consultants		1,987	9,368
Loss on disposal/write-off of items of property, plant and equipment		130	227
Gain on lease termination	14(c)	(5)	–
Impairment of trade receivables, net	20	2,306	2,258
Impairment/(reversal of impairment) of other receivables, net	21	(232)	11,662
Impairment of loan to an associate	17	–	1,800
Impairment of an intangible asset*	15	200	550
Impairment of property, plant and equipment*		2,680	–
Write-down of inventories to net realisable value ^{##}		4,716	834
Fair value losses/(gains), net:			
Financial liabilities at fair value through profit or loss – designated as such upon initial recognition	36	(617)	(1,511)
Foreign exchange differences, net		283	(437)
Amortisation of deferred income in respect of government grants		(610)	(511)

* 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\$1,326,000 (2021: HK\$2,007,000), net of reversal of the relevant amount of share awards to a director that did not ultimately vest ("Awards Not Vested") of Nil (2021: approximately HK\$318,000).

^{^^} There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions. At 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil).

[#] Including lease payments to related companies under certain lease arrangements of approximately HK\$722,000 as further detailed in note 34(a)(ii) to the financial statements.

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

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7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 HK\$'000	2021 HK\$'000
Interest on other borrowing	1,226	1,200
Interest on lease liabilities	101	73
	1,327	1,273

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Group	
	2022 HK\$'000	2021 HK\$'000
Fees	720	710
Other emoluments:		
Salaries, discretionary bonuses and other benefits	1,504	1,690
Equity-settled share award expense	–	–*
Equity-settled share option expense	660	1,236
Pension scheme contributions	36	36
	2,200	2,962
	2,920	3,672

* Excluding the reversal of the relevant amount of Award Not Vested of approximately HK\$318,000, which was credited to profit or loss for that 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 28 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.

During the year, certain directors were granted share options, 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 28 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.

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

(a) Independent non-executive directors

	2022			2021		
	Fees	Equity-settled share option expense	Total	Equity-settled share option		
				Fees	expense	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Chan Wai Man	240	15	255	240	–	240
Mr. Siu Hi Lam, Alick	240	15	255	240	–	240
Mr. Ting Kit Lun (<i>resigned on 16 August 2021</i>)	–	–	–	150	–	150
Dr. Ip Wai Hung (<i>appointed on 1 September 2021</i>)	240	–	240	80	–	80
	720	30	750	710	–	710

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

(b) Executive directors and the chief executive

	Salaries and other benefits	Equity-settled share option expense	Pension scheme contributions	Total remuneration
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2022				
<i>Chairman and an executive director:</i>				
Mr. Dong Choi Chi, Alex	850	315	18	1,183
<i>Chief executive officer and an executive director:</i>				
Mr. Chong Cho Lam	654	315	18	987
	1,504	630	36	2,170

Notes to Financial Statements

31 December 2022

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

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

	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
	1,690	1,236	36	2,962

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 (2021: two directors) of the Company, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director nor the chief executive of the Company are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other benefits	2,893	2,556
Equity-settled share option expense	333	313
Pension scheme contributions	54	54
	3,280	2,923

Notes to Financial Statements

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9. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Number of employees	
	2022	2021
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	2	1
	3	3

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 (2021: Nil).

During the year and in prior years, 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 28 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% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022	2021
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	6	12
Current – Elsewhere		
Charge for the year	908	283
Total tax charge for the year	914	295

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10. INCOME TAX (continued)

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

	2022 HK\$'000	2021 HK\$'000
Loss before tax	(61,678)	(71,322)
Tax credit at the Hong Kong statutory tax rate of 16.5% (2021: 16.5%)	(10,177)	(11,768)
Effect of difference in tax rate for specific locations or enacted by local authority	2,843	3,007
Income not subject to tax	(184)	(60)
Expenses not deductible for tax	3,051	4,548
Tax losses not recognised	5,413	4,576
Others	(32)	(8)
Tax charge at the Group's effective rate	914	295

11. DIVIDEND

The board of directors of the Company does not recommend the payment of any dividend in respect of the year (2021: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of approximately 2,095,416,000 (2021: 1,564,263,000, as adjusted to reflect the rights issue during the year ended 31 December 2021) in issue during the year, as adjusted to exclude the shares held under the share award scheme of the Company.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the impact of the share options outstanding and the unvested share awards had an anti-diluted effect on the basic loss per share amounts presented.

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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
31 December 2022						
At 1 January 2022:						
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
At 1 January 2022, net of accumulated depreciation and impairment	4,789	5,720	10,542	1,447	438	22,936
Additions	606	1,445	450	72	1,439	4,012
Impairment (note)	-	-	(2,680)	-	-	(2,680)
Disposals/write-off	(114)	-	(56)	(24)	(17)	(211)
Depreciation provided during the year	(382)	(818)	(1,734)	(310)	(248)	(3,492)
Exchange realignment	(333)	(343)	(202)	(3)	(17)	(898)
At 31 December 2022, net of accumulated depreciation and impairment	4,566	6,004	6,320	1,182	1,595	19,667
At 31 December 2022:						
Cost	10,242	9,942	14,337	3,529	5,792	43,842
Accumulated depreciation and impairment	(5,676)	(3,938)	(8,017)	(2,347)	(4,197)	(24,175)
Net carrying amount	4,566	6,004	6,320	1,182	1,595	19,667

Note:

The COVID-19 pandemic and the related social distancing measures adopted by relevant authority have significantly affected the entertainment industry in Macau and consequentially disrupted the Group's related business. Accordingly, certain property, plant and equipment of the Group have not been fully utilised or became idle during the year. Based on an impairment testing of the Group's relevant property, plant and equipment ("PP&E") as at 31 December 2022, the Group recognised an impairment loss for the year of HK\$2,680,000 with reference to their estimated recoverable amount. The recoverable amount of the PP&E which belong to the media and entertainment segment of HK\$3,800,000 has been determined based on their fair value less costs of disposal, measured using a replacement cost approach, adjusted for physical deterioration, functional obsolescence, and economic obsolescence (the "adjustments for obsolescence"). Such fair value measurement, which based mostly on significant unobservable inputs, is categorized under Level 3 of the fair value hierarchy and is sensitive to significant management's judgements, assumptions and estimates regarding adjustments for obsolescence and other applicable parameters with reference to, amongst others, past experience and/or certain external sources of information, if available.

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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 2021						
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

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14. LEASES

The Group as a lessee

The Group has lease contracts for certain properties and items of equipment used in its operations. Leases of equipment have lease term of 5 years, while certain properties generally have lease terms of 1 to 2 years.

(a) Right-of-use assets

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

	Equipment HK\$'000	Properties HK\$'000	Total HK\$'000
As at 1 January 2021	–	187	187
Additions	239	5,306	5,545
Depreciation charge	(41)	(1,194)	(1,235)
Exchange realignment	–	3	3
As at 31 December 2021 and 1 January 2022	198	4,302	4,500
Additions	–	167	167
Lease modification (early termination)	–	(547)	(547)
Depreciation charge	(52)	(2,579)	(2,631)
Exchange realignment	(6)	(4)	(10)
As at 31 December 2022	140	1,339	1,479

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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	
	2022	2021
	HK\$'000	HK\$'000
Carrying amount at 1 January	4,429	192
New leases	167	5,510
Lease termination	(552)	–
Accretion of interest recognised during the year	101	73
Payments	(2,402)*	(1,348)
Exchange realignment	(7)	2
Carrying amount at 31 December	1,736	4,429
Analysed into:		
Current portion	1,641	3,011
Non-current portion	95	1,418

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

* Including lease payments to related companies under certain lease arrangements of approximately HK\$234,000 as further detailed in note 34(a)(ii) to the financial statements.

Notes to Financial Statements

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14. LEASES (continued)

The Group as a lessee (continued)**(c)** The amounts recognised in profit or loss in relation to leases are as follows:

	2022 HK\$'000	2021 HK\$'000
Interest on lease liabilities	101	73
Depreciation charge for right-of-use assets	2,631	1,235
Gain on lease termination	(5)	–
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)	1,601	1,152
Variable lease payments not included in the measurement of leases liabilities (included in cost of sales)	10	145
Total amount recognised in profit or loss	4,338	3,142

(d) The total cash outflow for leases is disclosed in note 33(c) to the financial statements.

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15. INTANGIBLE ASSETS

	Licence right	Operating rights	Club membership	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 December 2022				
Cost at 1 January 2022, net of accumulated amortisation and impairment	1,385	9,861	2,270	13,516
Amortisation provided during the year	(223)	–	–	(223)
Impairment during the year	–	–	(200)	(200)
Exchange realignment	–	(752)	–	(752)
At 31 December 2022	1,162	9,109	2,070	12,341
At 31 December 2022:				
Cost	2,228	9,109	2,900	14,237
Accumulated amortisation and impairment	(1,066)	–	(830)	(1,896)
Net carrying amount	1,162	9,109	2,070	12,341
31 December 2021				
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
At 31 December 2021	1,385	9,861	2,270	13,516
At 31 December 2021:				
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

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 and prior years, the challenging external environment and the decline in comparable transaction prices were impairment indicators which underpinned an impairment testing of the Group's club membership, resulting in the recognition of an impairment loss of HK\$200,000 (2021: HK\$550,000) during the year. For operating segment reporting purposes, the club membership is included under corporate and other unallocated assets. The recoverable amount of the club debenture of HK\$2,070,000 (2021: HK\$2,270,000) has been determined based on fair value less costs of disposal, measured with reference to its quoted price (Level 1 of the fair value hierarchy).

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 16.9% (2021: 16.4%). The growth rate used to extrapolate the cash flows of the CGU beyond the five-year period is 2.5% (2021: 3%).

Assumptions were used in the value-in-use calculation of the CGU as at 31 December 2022 and 31 December 2021. 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 assumption 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.

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16. INVESTMENTS IN JOINT VENTURES

	2022 HK\$'000	2021 HK\$'000
Share of net liabilities	(49)	–
Amounts due from joint ventures	1,137	–
	1,088	–

The amounts due from joint ventures are unsecured, interest-free and repayable on demand. In the opinion of the directors, the amounts due from joint ventures are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in the joint ventures. There was no recent history of default and past due amount for the amounts due from joint ventures. As at 31 December 2022, the loss allowance was assessed by management to be minimal.

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Edward Ma Workshop Limited	Ordinary shares	Hong Kong	50	Operation of entertainment related activities
Storypresents Company Limited	Ordinary shares	Hong Kong	40	Operation of entertainment related activities

The above investments are indirectly held by the Company.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2022 HK\$'000
Share of the joint ventures' loss for the year	(62)
Share of the joint ventures' total comprehensive loss	(62)
Aggregate carrying amount of the Group's investments in the joint ventures	1,088

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17. INVESTMENT IN AN ASSOCIATE

	2022 HK\$'000	2021 HK\$'000
Share of net assets	–	–
Loan to an associate	1,800	1,800
	1,800	1,800
Impairment	(1,800)	(1,800)
	–	–

At 31 December 2022, the Group had a loan to the associate of HK\$1,800,000 (2021: HK\$1,800,000). The loan is unsecured, interest-free and repayable on demand. In the opinion of the directors, the loan is unlikely to be repaid by the associate in the foreseeable future and is considered as part of the Group's net investment in the associate. An impairment assessment was performed by the Group in the prior year, 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 considered it would be unlikely to recover the outstanding amount and, accordingly, a loss allowance for impairment of HK\$1,800,000 was recognised during the prior year. There was no change in the impairment assessment and the loss allowance for impairment during the current year.

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 activities
Triple Lips Production Limited (formerly known as 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 equity investment in the associate of HK\$300 (2021: HK\$300) 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\$1,101,000 (2021: HK\$4,807,000) and HK\$5,908,000 (2021: HK\$4,807,000), respectively.

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

	2022 HK\$'000	2021 HK\$'000
Investments in concert, other entertainment event, film and TV drama production projects, at fair value:		
Current	14,583	11,064
Non-current	1,157	1,345
As at 31 December	15,740	12,409

The Group's investments in concert, other entertainment event, film and TV drama production projects at 31 December 2022 and 2021 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 motion picture films and TV drama, which entitled the Group to certain rights in connection with the investments and net profit or loss of the films/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 films/TV drama attributable to the Group in accordance with the terms of the respective 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 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.

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19. INVENTORIES

	2022	2021
	HK\$'000	HK\$'000
Merchandises	380	5,054

20. TRADE RECEIVABLES

	2022	2021
	HK\$'000	HK\$'000
Trade receivables	18,788	11,546
Impairment	(8,864)	(6,558)
	9,924	4,988

The Group's trading terms with its credit sales customers for cremation and funeral services businesses 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

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20. 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:

	2022 HK\$'000	2021 HK\$'000
Within 30 days	8,276	2,177
31 to 60 days	740	490
61 to 90 days	745	704
Over 90 days	163	1,617
	9,924	4,988

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

	2022 HK\$'000	2021 HK\$'000
At beginning of year	6,558	4,300
Impairment losses, net (note 6)	2,306	2,258
	8,864	6,558

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 2022, the probability of default applied ranged from 0.18% to 100% (2021: 1.43% to 100%) and the loss given default was estimated to range from 97.91% to 100% (2021: 61.7% to 100%).

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

Notes to Financial Statements

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21. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 HK\$'000	2021 HK\$'000
Prepayments and other assets	23,158	21,413
Deposits	674	1,010
Other receivables*	27,219	25,091
	51,051	47,514
Impairment allowance	(15,476)	(15,923)
	35,575	31,591
Non-current portion	(13,420)	(12,306)
Current portion	22,155	19,285

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

	2022 HK\$'000	2021 HK\$'000
At beginning of year	15,923	4,214
Impairment losses/(reversal of impairment), net (note 6)	(232)	11,662
Exchange realignment	(215)	47
At end of year	15,476	15,923

* Included in the Group's other receivables are amounts due from related companies, a joint venture and a non-controlling shareholder of a subsidiary of approximately HK\$1,140,000 (2021: HK\$1,096,000), HK\$1,000,000 (2021: Nil) and HK\$6,567,000 (2021: HK\$185,000), respectively, as at 31 December 2022 which are unsecured, non-interest-bearing and repayable on demand. A director of the Company is a beneficial owner of the related companies.

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 2022, the probability of default applied ranged from 0.18% to 100% (2021: 0.17% to 100%) and the loss given default was estimated to range from 97.91% to 100% (2021: 59.4% to 100%).

Notes to Financial Statements

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22. CASH AND CASH EQUIVALENTS

	2022 HK\$'000	2021 HK\$'000
Cash and bank balances	47,490	114,644

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$9,021,000 (2021: HK\$3,067,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and 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.

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

	Notes	2022 HK\$'000	2021 HK\$'000
Trade payables	(a)	3,072	3,703
Contract liabilities	(b)	7,393	3,058
Other payables and accruals	(c)	17,672	21,548
Financial liabilities at fair value through profit or loss	(d)	5,660	6,528
		33,797	34,837

Notes:

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

	2022 HK\$'000	2021 HK\$'000
Within 30 days	53	860
31 to 60 days	37	41
61 to 90 days	25	79
Over 90 days	2,957	2,723
	3,072	3,703

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

Notes to Financial Statements

31 December 2022

23. TRADE PAYABLES, OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES (continued)

Notes: (continued)

(b) Details of contract liabilities are as follows:

	31 December	31 December	1 January
	2022	2021	2021
	HK\$'000	HK\$'000	HK\$'000
Short-term advances received from customers:			
Funeral services	307	307	307
Media and entertainment related services	7,086	2,751	610
	7,393	3,058	917

Contract liabilities include short-term advances received to deliver funeral services and media and entertainment related services. The increase in contract liabilities in 2022 and 2021 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 non-controlling shareholders of subsidiaries and related companies of approximately HK\$1,228,000 (2021: HK\$853,000) and HK\$1,209,000 (2021: HK\$3,896,000), respectively, which are unsecured, non-interest-bearing and repayable on demand. A director of the Company is a beneficial owner of the related companies. Except for the above, other payables are unsecured, non-interest-bearing and repayable within 1 year.
- (d) The amounts mainly represent investments made by certain investors in projects relating to 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 respective concert and other entertainment event projects. 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\$617,000 were credited to profit or loss (2021: HK\$1,511,000 credited to profit or loss).

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24. OTHER BORROWING

	Note	2022		2021	
		Maturity	HK\$'000	Maturity	HK\$'000
Non-current					
Other borrowing – unsecured	(i)	2025	35,000	2025	35,000

Note:

- (i) In 2020, the Group obtained certain revolving loan facilities (the “Loan Facilities”) from Mr. Chau Cheok Wa, a then substantial shareholder of the Company, (“Mr. Chau”) up to a principal amount of HK\$100,000,000. The Group’s other borrowing as at 31 December 2022 represented a loan with an aggregate principal amount of HK\$35,000,000 (2021: HK\$35,000,000) drawn down under the Loan Facilities, which is unsecured, interest bearing at 3.5% (2021: 3.5%) per annum and 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 loan is denominated in HK\$. In the opinion of the directors of the Company, while Mr. Chau was a substantial shareholder of the Company in 2021, he was no longer a substantial shareholder of the Company during the latter part of the year ended 31 December 2022 and as at 31 December 2022.

25. DEFERRED INCOME

	2022	2021
	HK\$'000	HK\$'000
Deferred income*	2,557	3,409
Less: Non-current portion	(2,098)	(2,695)
Current portion	459	714

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

Notes to Financial Statements

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26. DEFERRED TAX

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

Deferred tax liabilities

2022

	Fair value adjustments arising from acquisition of subsidiaries HK\$'000
At 1 January 2022	2,386
Exchange realignment	(109)
Gross deferred tax liabilities at 31 December 2022	2,277

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	2,386

The Group has tax losses arising in Hong Kong of approximately HK\$142,024,000 (2021: HK\$109,444,000), 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\$15,199,000 (2021: HK\$15,049,000), subject to the agreement by relevant PRC tax authorities, that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

Notes to Financial Statements

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26. 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.

27. ISSUED CAPITAL

Shares

	2022 HK\$'000	2021 HK\$'000
Authorised:		
3,200,000,000 (2021: 3,200,000,000) ordinary shares of HK\$0.025 each	80,000	80,000
Issued and fully paid:		
2,096,015,671 (2021: 2,096,015,671) ordinary shares of HK\$0.025 each	52,400	52,400

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 2021	1,250,798	31,270	350,143
Rights issue (note (a))	845,218	21,130	95,303
At 31 December 2021, 1 January 2022 and 31 December 2022	2,096,016	52,400	445,446

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.

28. 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 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 2011 Scheme expired on 30 August 2021, and the Group has stopped granting share options under the 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 2022

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

Share option schemes (continued)

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

	2022		2021	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At 1 January	0.281	146,892,200	0.740	16,300,000
Granted during the year	0.029	85,600,000	0.296	99,000,000
Adjustment arising from the rights issue (note 27 (a))	–	–	–	31,592,200
Cancelled/lapsed/forfeited during the year	0.345	(30,703,400)	–	–
At 31 December	0.164	201,788,800	0.281	146,892,200

Notes to Financial Statements

31 December 2022

28. 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:

2022

Number of outstanding share options	Exercise price per share HK\$	Exercise period
10,829,000	0.581	12 July 2019 – 11 July 2029
41,022,800	0.232	12 April 2021 – 11 April 2024
64,337,000	0.232	12 April 2022 – 11 April 2025
85,600,000	0.029	13 October 2022 – 12 October 2032
201,788,800		

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
115,300,000		146,892,200		

Notes to Financial Statements

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

Share option schemes (continued)

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

	2022	2021
Dividend yield (%)	–	–
Expected volatility (%)	93.43%	84.12%-81.14%
Historical volatility (%)	93.43%	84.12%-81.14%
Risk-free interest rate (%)	3.78%	0.32%-0.57%
Expected life of options (year)	10	3-4
Weighted average share price (HK\$ per share)	0.029	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.

No share options were exercised during the year ended 31 December 2022 (2021: Nil). The fair value of the share options granted during the year ended 31 December 2022 was HK\$1,326,000 (HK\$0.015 each) (2021: HK\$13,362,000 (HK\$0.135 each) (before the rights issue)), of which the Group recognised a share option expense of approximately HK\$3,313,000 (2021: HK\$11,375,000) during the year ended 31 December 2022.

At the end of reporting period, the Company had 201,788,800 share options outstanding and exercisable under the New Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 201,788,800 additional ordinary shares of the Company and additional issued capital of approximately HK\$5,045,000 and share premium of approximately HK\$28,173,000 (before issue expense).

At the date of approval of these financial statements, the Company had 201,788,800 share options outstanding under the New Share Option Scheme, which represented approximately 9.6% of the Company's shares in issue as at that date.

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

On 6 December 2019 (the "Adoption Date"), the Company adopted a share award scheme (the "Share Award Scheme") for the purpose of recognising the contributions by certain eligible 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. During the year ended 31 December 2021, 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 that year.

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28. 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:

	2022		2021	
	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
Lapsed/forfeited during the year	–	–	0.65	(1,000,000)
At 31 December	–	–	–	–

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

	2022		2021	
	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

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31 December 2022

29. 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 same 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 prior 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 2022***29. 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 approximately 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 year ended 31 December 2020, 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 and prior years are 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 and prior years.

For the Profit Guarantee, the Group estimated its fair values as at 31 December 2022 and 2021 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 2022 and 2021 were both estimated to be negligible.

Notes to Financial Statements

31 December 2022

30. RESERVES

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

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.

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31. BUSINESS COMBINATION

On 19 May 2022, the Group acquired 100% equity interest in Rising Sun from a related company. A director of the Company is a beneficial owner of the related company. Rising Sun is principally engaged in the provision of artist management services. The acquisition was made as part of the Group's strategy to expand its media and entertainment businesses. The purchase consideration for the acquisition of HK\$1 was in the form of cash.

The provisional fair values of the identifiable assets and liabilities of Rising Sun as at the date of acquisition were as follows:

	Provisional fair value recognised on acquisition HK\$'000
Investment in joint venture	13
Cash and bank balances	20
Trade receivables	834
Prepayments and other receivables	264
Other payables and accruals	(1,131)
Total identifiable net assets at provisional fair value	—*
Satisfied by:	
Cash consideration	—*

* Amount less than HK\$1,000

The Group is in the process of completing an assessment and valuation to identify and assess the fair values of the identifiable assets acquired and liabilities assumed. The provisional fair values recognised on acquisition as shown above may be adjusted upon the completion of the initial accounting for the business combination during the measurement period, which shall not exceed one year from the acquisition date.

Notes to Financial Statements

31 December 2022

31. BUSINESS COMBINATION (continued)

The identification and valuations of the acquisition date fair values for certain assets and liabilities have not been completed by the end of the reporting period. The directors of the Company consider the provisional fair values of the trade receivables and other receivables of Rising Sun as at the date of acquisition do not materially differ from their gross contractual amounts and do not expect any significant acquired receivables to be uncollectible.

An analysis of the cash flows in respect of the acquisition of Rising Sun is as follows:

	HK\$'000
Cash consideration	–*
Cash and bank balances acquired	20
<hr/>	
Net inflow of cash and cash equivalents included in cash flows from investing activities	20

* Amount less than HK\$1,000

Since the acquisition, Rising Sun contributed approximately HK\$5,300,000 to the Group's revenue and loss of approximately HK\$7,000 to the consolidated loss for the year ended 31 December 2022.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been approximately HK\$37,387,000 and HK\$61,674,000, respectively.

Notes to Financial Statements

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32. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of a subsidiary of the Group that has material non-controlling interests are set out below:

	2022	2021
Percentage of equity interest held by non-controlling interests:		
Huai Ji	30%	30%
	2022	2021
	HK\$'000	HK\$'000
Profit for the year allocated to non-controlling interests:		
Huai Ji	783	101
	2022	2021
	HK\$'000	HK\$'000
Accumulated balances of non-controlling interests at the reporting date:		
Huai Ji	6,653	6,196

Notes to Financial Statements

31 December 2022

32. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of Huai Ji. The amounts disclosed are before any inter-company eliminations and excluded any impact thereon arising from related business combinations:

	Huai Ji HK\$'000
2022	
Revenue	18,646
Total expenses	(15,906)
Profit for the year	2,740
Total comprehensive income for the year	1,656
Current assets	5,810
Non-current assets	23,490
Current liabilities	(2,618)
Non-current liabilities	(4,375)
Net cash flows from operating activities	6,475
Net cash flows used in investing activities	(4,116)
Net increase in cash and cash equivalents	2,359

Notes to Financial Statements

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32. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS
(continued)

	Huai Ji HK\$'000
2021	
Revenue	14,517
Total expenses	(14,181)
Profit for the year	336
Total comprehensive income for the year	627
Current assets	5,386
Non-current assets	23,175
Current liabilities	(1,477)
Non-current liabilities	(5,081)
Net cash flows from operating activities	1,590
Net cash flows used in investing activities	(1,957)
Net decrease in cash and cash equivalents	(367)

Notes to Financial Statements

31 December 2022

33. 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 approximately HK\$167,000 (2021: HK\$5,510,000) and HK\$167,000 (2021: HK\$5,510,000), respectively, in respect lease arrangements for certain leased properties and equipment.
- (ii) During the year, the Group had non-cash termination of an existing lease of office premises from a related company resulting in a derecognition of right-of-use assets and lease liabilities of approximately HK\$547,000 and HK\$552,000, respectively, and corresponding recognition of a gain on lease termination of approximately HK\$5,000, in respect of a lease arrangement for a leased property. A director of the Company is a beneficial owner of the related company.
- (iii) During the prior year, certain property, plant and equipment were contributed by non-controlling interests as a capital injection amounting to HK\$2,400,000, with a corresponding increase in non-controlling interests.

(b) Changes in liabilities arising from financing activities
2022

	Lease liabilities HK\$'000	Other borrowing HK\$'000
At 1 January 2022	4,429	35,000
Changes from financing cash flows	(2,402)	–
New leases	167	–
Lease termination	(552)	–
Foreign exchange movement	(7)	–
Interest expense	101	–
At 31 December 2022	1,736	35,000

Notes to Financial Statements

31 December 2022

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

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

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

(c) Total cash outflow for leases

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

	2022 HK\$'000	2021 HK\$'000
Within operating activities	1,611	1,834
Within financing activities	2,402	1,348
	4,013	3,182

Notes to Financial Statements

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34. RELATED PARTY TRANSACTIONS

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

	Notes	2022 HK\$'000	2021 HK\$'000
Related parties:			
Service fee received	(i)	–	210
Lease payments	(ii)	956	222
Interest on other borrowing	(iii)	1,226	1,200
Service fee paid	(iv)	630	–
Artiste fees paid/payable to a related party	(v)	52	(148)
Handling fee income	(vi)	83	290
License fee income	(vii)	293	437
Management fee paid	(viii)	125	375
Human resources service fees paid	(ix)	1,745	3,502
Commission fee	(x)	100	–
Advertising fee	(xi)	208	–

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 12 to 24 months with certain related companies, in which a director of the Company is a beneficial owner of the related companies. As at 31 December 2021, the Group had right-of-use assets and lease liabilities in connection with the Lease Arrangements of HK\$780,000 and HK\$834,000, respectively, and lease payments of approximately HK\$222,000 were paid to the related companies during the year ended 31 December 2021. During the current year, all the leases under the Lease Arrangements became short-term leases and the Group applied the short-term lease recognition exemption to those leases. Lease payments in connection with the Lease Arrangements of approximately HK\$956,000 were paid to the related companies during the current year.
- (iii) The interest was arising from a loan from Mr. Chau (note 24), which bears interest at 3.5% (2021: 3.5%) per annum. Further details of the loan and the related Loan Facilities are set out in note 24 to the financial statements.
- (iv) 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.
- (v) The artiste fees were charged in accordance with an artist agreement entered into between the relevant parties. The artiste fees were charged by a close family member of a director of an indirect subsidiary of the Company.
- (vi) 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.
- (vii) The license fee income was charged to a non-controlling shareholder of an indirect subsidiary of the Company based on terms agreed between the relevant parties.
- (viii) The management fee was charged by a non-controlling shareholder of an indirect subsidiary of the Company based on terms agreed between the relevant parties.
- (ix) The human resources service fees were charged by certain related companies based on terms agreed between the relevant parties. A non-controlling shareholder of an indirect subsidiary of the Company is a beneficial owner of the related companies.
- (x) The commission 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.
- (xi) The advertising 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.

Notes to Financial Statements

31 December 2022

34. RELATED PARTY TRANSACTIONS (continued)

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

	2022 HK\$'000	2021 HK\$'000
Short term employee benefits	3,471	3,647
Equity-settled share-based payment expense	660	1,361*
Pension scheme contributions	54	54
Total compensation paid to key management personnel	4,185	5,062

* 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.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

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	15,740	-	15,740
Trade receivables	-	9,924	9,924
Financial assets included in prepayments, deposits and other receivables	-	12,417	12,417
Amounts due from joint ventures	-	1,137	1,137
Cash and cash equivalents	-	47,490	47,490
	15,740	70,968	86,708

Notes to Financial Statements

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35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2022

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	–	3,072	3,072
Financial liabilities included in other payables, accruals and other financial liabilities	5,660	16,261	21,921
Other borrowing	–	35,000	35,000
Lease liabilities	–	1,736	1,736
	5,660	56,069	61,729

* Mandatorily designated as such

** Designated as such upon initial recognition

2021

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	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
	12,409	129,810	142,219

Notes to Financial Statements

31 December 2022

35. 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

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Financial assets				
Investments in concert, other entertainment event, film and TV drama production projects	15,740	12,409	15,740	12,409
Profit Guarantee	–	–	–	–
Financial liabilities				
Financial liabilities at fair value through profit or loss	5,660	6,528	5,660	6,528

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, deposits and other assets, and other borrowing have been 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 2022 and 31 December 2021 were assessed to be insignificant.

Notes to Financial Statements

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36. 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 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 2022 was estimated with reference to the projected cash flows 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 2022

	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	–	–	15,740	15,740
Profit Guarantee (Level 3)	–	–	–	–
	–	–	15,740	15,740

Notes to Financial Statements

31 December 2022

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

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

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

	2022 HK\$'000	2021 HK\$'000
Financial assets at fair value through profit or loss:		
At 1 January	12,409	9,895
Net loss recognised in profit or loss	(1,267)	(1,324)
Additions	13,351	6,908
Settlements	(8,214)	(3,165)
Exchange realignment	(539)	95
At 31 December	15,740	12,409

Notes to Financial Statements

31 December 2022

36. 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 2022 and 2021:

	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity of fair value to the input
Financial instruments at fair value through profit or loss	Income approach, discounted cash flow method	Discount rates Range: 2.92% to 14.6% (2021: 0.14% to 15.6%)	5% (2021: 5%) increase/decrease in discount rate would result in decrease/increase in fair value by HK\$22,000 (2021: HK\$103,000)
Profit Guarantee	Income approach, discounted cash flow method	Expected ticket sales performance	5% (2021: 5%) decrease in expected ticket sales performance would result in increase in fair value by HK\$1,089,000 (2021: HK\$1,375,000)
		Expected production costs	6% (2021: 6%) increase in expected production costs would result in increase in fair value by HK\$676,000 (2021: HK\$1,404,000)

Liabilities measured at fair value:**As at 31 December 2022**

	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 23)	–	–	5,660	5,660

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 23)	–	–	6,528	6,528

Notes to Financial Statements

31 December 2022

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value: (continued)

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

	2022 HK\$'000	2021 HK\$'000
Financial liabilities at fair value through profit or loss:		
At 1 January	6,528	3,504
Net gain recognised in profit or loss	(617)	(1,511)
Additions	2,509	8,152
Settlements	(2,459)	(3,654)
Exchange realignment	(301)	37
At 31 December	5,660	6,528

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 (2021: Nil).

37. 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.

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31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Trade receivables*	-	-	-	18,788	18,788
Financial assets included in prepayments, deposits and other receivables					
– Normal**	12,622	-	-	-	12,622
– Doubtful**	-	-	15,271	-	15,271
Loan to an associate	-	-	1,800	-	1,800
Amounts due from joint ventures**	1,137	-	-	-	1,137
Cash and cash equivalents					
– Not yet past due	47,490	-	-	-	47,490
	61,249	-	17,071	18,788	97,108

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31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2021

	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Trade receivables*	-	-	-	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

* For trade receivables to which the Group applies the simplified approach for impairment, further detailed information is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables and amounts due from joint ventures 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 29% (2021: 50%) of the Group's trade receivables was due from the Group's largest debtor.

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31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain adequate funds to meet commitments associated with its financial liabilities. Cash flows of the Group are closely monitored by senior management on an on-going basis, considering the maturity of the Group's financial liabilities and financial assets, and projected cash flows from operations. The 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:

2022

	Less than 1 year HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Trade payables	3,072	–	3,072
Financial liabilities included in other payables and accruals	21,921	–	21,921
Other borrowing	1,225	37,450	38,675
Lease liabilities	1,673	136	1,809
	27,891	37,586	65,477

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
	34,577	40,116	74,693

Notes to Financial Statements

31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its businesses and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares. The Group is not subject to any external imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

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 2022 and 31 December 2021 were as follows:

	2022	2021
	HK\$'000	HK\$'000
Current liabilities	44,181	45,887
Non-current liabilities	39,470	41,499
Total liabilities	83,651	87,386
Equity attributable to owners of the Company	62,538	120,542
Gearing ratio	133.76%	72.49%

Notes to Financial Statements

31 December 2022

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	145	145
CURRENT ASSETS		
Due from subsidiaries	113,579	104,243
Other receivables	1,199	182
Cash and cash equivalents	22,219	94,685
Total current assets	136,997	199,110
CURRENT LIABILITIES		
Other payables and accruals	5,437	3,608
Due to subsidiaries	3,854	3,826
Total current liabilities	9,291	7,434
NET CURRENT ASSETS	127,706	191,676
TOTAL ASSETS LESS CURRENT LIABILITIES	127,851	191,821
NON-CURRENT LIABILITY		
Other borrowing	35,000	35,000
Net assets	92,851	156,821
EQUITY		
Issued capital	52,400	52,400
Reserves (note)	40,451	104,421
Total equity	92,851	156,821

continued/...

Notes to Financial Statements

31 December 2022

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium HK\$'000	Contributed surplus HK\$'000	Share- based payment reserve HK\$'000	Share held under the share award scheme HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 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 arrangement	-	-	(318)	-	-	(318)
At 31 December 2021 and 1 January 2022	445,446	31,713	18,468	(391)	(390,815)	104,421
Loss and total comprehensive loss for the year	-	-	-	-	(67,283)	(67,283)
Equity-settled share option arrangements	-	-	3,313	-	-	3,313
Transfer of share-based payment reserve upon the cancellation/lapse/forfeiture of share options	-	-	(6,867)	-	6,867	-
At 31 December 2022	445,446	31,713	14,914	(391)	(451,231)	40,451

39. EVENTS AFTER THE REPORTING PERIOD

- (i) On 17 February 2023, an indirect non-wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party in relation to the disposal of certain property, plant and equipment of the Group at a consideration of HK\$3,800,000. Further details of the sale and purchase agreement are set out in an announcement of the Company dated 17 February 2023.
- (ii) On 10 March 2023, an indirect wholly-owned subsidiary of the Company entered into a short term loan agreement with Great Expect Development Limited, an independent third party for a loan amount of HK\$30,000,000 at an interest of 6.5% per annum. The loan was drawn down on 24 March 2023.

Notes to Financial Statements*31 December 2022***39. EVENTS AFTER THE REPORTING PERIOD (continued)**

- (iii) On 17 March 2023, the Group separately entered into certain strategic cooperation agreements with four consultants. Pursuant to each of the strategic cooperation agreements, a specific consultant shall render certain services (the “Services”), as defined in the agreement, to the Group and, in consideration of the Services, the Company shall allot and issue (i) 15,000,000 ordinary shares of the Company (the “Shares”) to the consultant or its nominee if the respective target profit attributable to an indirect wholly-owned subsidiary of the Company (the “Target Profit”), as defined in the agreement, achieved is not less than HK\$1,500,000 by or before the end of the respective term (the “Term”), being a period of two years from the date of the agreement, or (ii) 30,000,000 Shares to the consultant or its nominee if the respective Target Profit achieved is not less than HK\$3,000,000 by or before the end of the respective Term; or in the event that the respective Target Profit achieved is less than HK\$1,500,000 by the end of the respective Term, the consultant shall not be entitled to and the Company shall not allot and issue any Shares to the consultant. Further details of the strategic cooperation agreements are set out in an announcement of the Company dated 17 March 2023.

40. COMPARATIVE AMOUNTS

Certain comparative amounts have been re-grouped to conform with the current year’s presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2023.

Five Years Financial Highlights

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

	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
REVENUE	35,758	49,029	29,095	126,247	155,678
LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY	(58,579)	(69,142)	(30,541)	(49,122)	(8,260)
TOTAL ASSETS	143,684	209,706	118,935	149,088	138,999
TOTAL LIABILITIES	(83,651)	(87,386)	(55,944)	(57,376)	(29,830)
NET ASSETS	60,033	122,320	62,991	91,712	109,169