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SAGE

Sage International Group Limited

Annual Report 2012

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

Stock Code: 8082

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

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About SAGE

SAGE International Group Limited (stock code: 8082) is a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited since 2001.

SAGE principally engages in the provision of deathcare services in the Greater China region. We operate two lines of deathcare businesses – funeral services and interment services. Our funeral services relates to the provision of funeral ceremony, funeral merchandise and services and funeral preplanning. We offer our interment services through cremation, selling interment rights of our cemetery spaces such as burial plots and mausoleum, and provision of other alternatives to traditional burial and cremation, including sea burial and green burial. Currently, we own and operate three cemeteries, one funeral parlor and one crematorium in China. We also have one funeral undertaking shop in Hong Kong offering at need and preneed funeral services and products in Hong Kong.

SAGE is committed to revolutionize the deathcare industry through innovative thinking and aiming at becoming China's largest provider of deathcare services. We aspire to have our brand be synonymous with the Chinese deathcare industry.

SAGE foresees the unique opportunity that deathcare industry remains one of the most profitable yet untapped sectors in the Greater China region. Consolidation will continue in this fragmented industry and creating economies of scale and marker diversification. For this reason, we will grow our business in the deathcare industry to generate steady operating cash flow that will be immune to economic business cycles.

Sage at a glance

Visiting elderly home with Glamour Ambassador — Ms. Helena Law

Gathering with Sage Dignity Club members

2012

MAR

MAY

OCT

Hong Kong Senior Fair 2012

Grand opening of Sage Funeral Shop at Hung Hom

"Glamour" drama ("風華再現")舞台劇 at Sunbeam Theatre

Sage being the funeral director of sea burial

2013

DEC

JAN

FEB

Elderlies visiting Sage Funeral Shop and introducing preneed and at need products to them

The first mercedes hearse in Hong Kong

Sponsoring radio show ("仁智老友記") at Metro Radio Hong Kong

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chui Bing Sun (Chairman)
Mr. Kwok Kwan Hung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Man
Mr. Law Yee Man, Thomas
Mr. Siu Hi Lam, Alick

COMPANY SECRETARY/ COMPLIANCE OFFICER

Mr. Kwok Kwan Hung

AUDIT COMMITTEE

Mr. Chan Wai Man (Chairman)
Mr. Law Yee Man, Thomas
Mr. Siu Hi Lam, Alick

NOMINATION COMMITTEE

Mr. Law Yee Man, Thomas (Chairman)
Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick

REMUNERATION COMMITTEE

Mr. Siu Hi Lam, Alick (Chairman)
Mr. Chan Wai Man
Mr. Law Yee Man, Thomas

AUTHORISED REPRESENTATIVES

Mr. Chui Bing Sun
Mr. Kwok Kwan Hung

AUDITOR

PricewaterhouseCoopers

SOLICITOR

Michael Li & Co.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

32/F Sunshine Plaza
353 Lockhart Road
Wan Chai Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
26/F Tesbury Centre
28 Queenís Road East
Wanchai Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Limited
Citibank, N.A., Hong Kong Branch
DBS Bank (Hong Kong) Limited

STOCK CODE

8082

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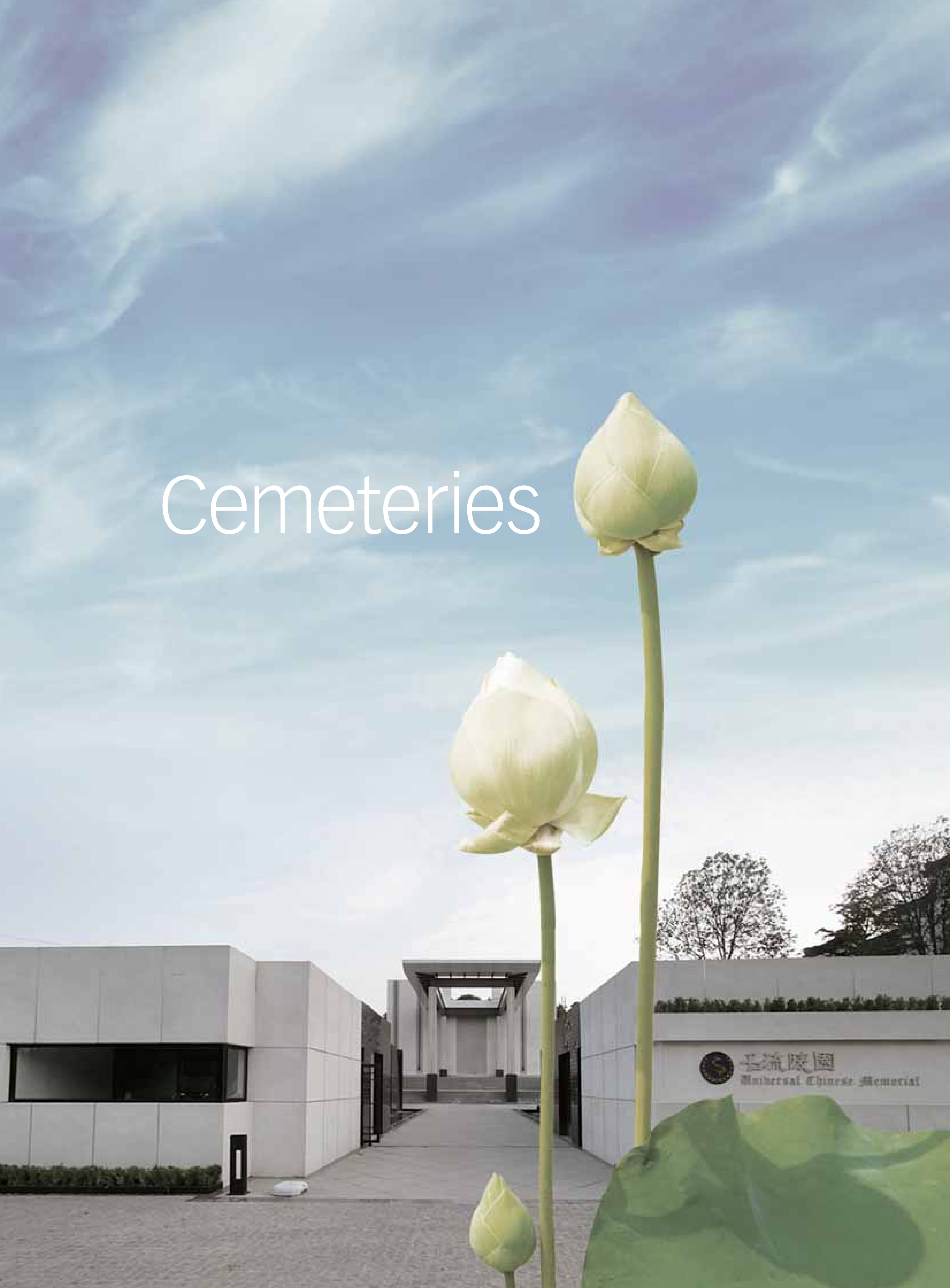
Cemeteries



Chairman's Statement

Benevolence
is our core value &
Revolutionizing the deathcare industry through
Innovative Thinking
is our mission
以仁為本 智力革新

2012 was an eventful and forward driven year for SAGE International Group Limited ("SAGE"), and on behalf of the Board of Directors and Management, I am pleased to present the Group's annual report for the financial year ended 31 December 2012.

During the year under review, SAGE successfully established its position as one of the top emerging deathcare providers in Greater China region with diversified interests in cemetery development & operation, funeral services and preneed funeral arrangements.

I am pleased to note that SAGE now owns three cemeteries, one funeral home and one crematorium in the People's Republic of China (the "PRC") and one funeral undertaking shop in Hong Kong. Enhancement of our flagship cemetery in Suzhou was completed at the beginning of third quarter in 2012. The newly-renovated property now features a modern reception hall, state-of-the-art escalator, out-door patio rest area, custom-designed burial units which were artfully designed and integrated within the landscape. After such modernisation work, I believe the cemetery becomes one of the world class cemeteries in the region and made our step much closer to develop a top-tier cemetery portfolio chain in China. To carry out our growth strategy and expand our cemetery portfolio, we also signed a memorandum of understanding regarding the potential acquisition of a Beijing cemetery.

To continue to expand our market share in funeral service business in Hong Kong, the Group opened one funeral undertaking shop with relevant funeral undertaking license. In contrast to the traditional funeral undertaking shop, our shop emphasises on customer satisfaction and transparent pricing which are leveraged on professional staff training scheme and advanced management and IT system. We offer affordable funeral solutions with a high level of care, compassion and professionalism to serve clients on a at need and preneed basis.

An increasing number of people are starting to include funeral planning into their estate arrangements. When a loved one dies, grieving family members often are confronted with dozens of decisions about the funerals that all of which must be made quickly and often under great emotional distress. Preneed plans can help families eliminate some of those pressures by helping individuals make more informed and well-thought-out funeral arrangements in advance.

Even though the concept of prepaid funeral plans is still relatively new for Greater China, one can anticipate the potential demand by looking at other more developed preneed markets, such as United Kingdom (the "U.K."). There was almost triple growth on the sales of pre-paid financial plans in the U.K. for the past decade and the total number of plans in force climbed 10% from 2011 to 2012. For this reason, we see the preneed funeral arrangement will becoming a significant revenue driver in the future in both Hong Kong and China where citizens are densely populated.

In 2012, SAGE's dedication and commitment in revolutionizing the funeral industry was recognized by general public and was chosen as the designated sea burial service provider under a tender bid arranged by the Government of the Hong Kong Special Administrative Region. The number of people choosing to scatter cremains at sea has multiple increase over the past years. The increasing number of sea burials could be a sign of growing public acceptance of a more environmentally friendly way of interment. Furthermore, SAGE aims to achieve our business objectives in a caring and responsible manner and by living these values. SAGE pursuing best practices of corporate social responsibility at all levels of its operations, the Group sponsors and supports a diversed range of meaningful community-oriented activities in partnership with community bodies and nonprofit organizations such as Helping Hand, Yan Oi Tong and China Legal Aid Foundation.

SAGE was awarded the "Caring Company" honor for the contribution to the community. Further recognized by the peers in the industry, SAGE received the Asia Funeral Expo ("AFE") Awards for the well-organized and long-term commitment of carrying out social responsibility programs in Hong Kong. AFE was the largest funeral trade fair and conference in Asia which had gather over 130 exhibiting companies from 19 countries for the past year. In addition, the Group became the executive member of the China Funeral Association in 2012 award.

Moving forward, the Group will look towards take over one or two more cemeteries in China and continue to develop our cemetery management and funeral service businesses. By establish a network of cemeteries and funeral service outlets, we believe we can create and communicate recognizable brand values. By owning and managing these cemeteries in the PRC and funeral facilities in Hong Kong, SAGE aims to introduce international best practice, innovative products and funeral solutions to Greater China, promote cooperation between overseas and local suppliers & service providers, and engage in continuing professional education to gradually revolutionize and change the image of this industry in the Greater China region and ultimately take advantage of the significant opportunities provided by strong growing PRC deathcare industry. The Board feels the positive long-term outlook of Greater China funeral industry remain intact.

The Group also committed to, *Revolutionizing the deathcare industry through innovative thinking*, providing alternatives and think out of the traditional way in the industry. In order to promote the exchanges of international funeral experience and good practice, the Group became a member of National Funeral Directors Association ("NFDA") which is the worldwide source of expertise and professional resources for all facets of funeral service. The Group also has invested significant resources in high quality infrastructure for continuing improvement in management and IT system. Extensive training program for staff has also been implemented to ensure the upgrading of customer services to customer. In the long run, the Group is constantly searching for the ways to improve our client service and bring positive impact to the industry.

And last but not least, I would like to thank our shareholders, valued customers, business associates and other relevant authorities for their support. My appreciation also goes to the management team and all employees for their undivided dedication, support and hard work.

Chui Bing Sun
Chairman

Funeral Services

Industry Overview

DEATHCARE INDUSTRY

Deathcare industry refers to companies that provide families products and services related to: (1) ceremony and tribute (funeral or memorial service); (2) disposition of remains through cremation or burial; and (3) memorization in the form of headstones, grave markers, cremation urns and memorial art. The industry in China is characterized by the following attributes:

Market Scale

According to a green paper on funeral industry published in 2011, about 9 million people died in China during the year, representing a Mortality rate of approximately 7.14%. The size of the market which includes sales of funeral service, cremation and burial units is estimated to be worth 200 billion yuan (US$30.5 billion) per annum.

Highly Fragmented Market

With approximate 1,800 burial sites existing nationwide, more than half of them are state-owned. According to the Ministry of Civil Affairs, the government was managing 1,209 cemeteries and 853 funeral management work units. The rest are mostly small, family-owned enterprises. The industry is highly fragmented; no distinct market leaders and well-known brands have yet to emerge.

Regulation

At present, the guiding light for this industry is the Regulation on Funeral and Interment Control, issued by the State Council in 1997, with amendments over the years. The Ministry of Civil Affairs under the State Council and the local departments of civil affairs are the chief regulators that oversee the country's funeral and interment trade.

Growth Factors

China's vast population is aging rapidly. Data from the National Bureau of Statistics showed that people aged 60 or above were about 178 million in China as of 2012, accounting for approximately 13% of the population. With the average lifespan reaching 75 years old, the elderly population is expected to account for more than 30 percent of the population by 2042.

In addition, China also faces shortage of cemetery space. Due to limited burial land supply in the city, the country's most densely-populated areas, such as Shanghai, could run out of room to bury its dead in the next decade. The population growth, rapid urbanization, aging trend and supply and demand situation will create a large area of unmet demand in funeral service and cemetery product, spurring the future growth of this industry.

TRENDS AND DEVELOPMENTS

Transparent pricing systems

In the past, China's funeral industry has long been the focus of public criticism for its up-selling techniques, hard-sell tactics, opaque pricing and oftentimes mendacious service agreements. With increasing consumer awareness and industry undergoes structural change, characterizing by more operators in the market, particularly new operators focusing on packaged services and transparent pricing in place of the traditional pricing model.

Increasing need for different levels of products and services

In China, most funeral homes and facilities only provide basic services, such as cremation, cleaning and transportation of the body. The provision of different levels of service, targeting different income groups, is a trend that accords with the country's economic development and rising income.

In summary, the deathcare industry in China is facing challenges and opportunities. We are looking forward to consolidation and changes in the foreseeable futures.

Preneed
Funeral Plans

Management Discussion and Analysis

FINANCIAL AND OPERATION REVIEW

We aim to become a leading provider of deathcare services in Hong Kong and the Greater China Region. We operate two lines of businesses: cemeteries and funeral services. As of 31 December 2012, we have one funeral undertaking shop in Hong Kong, three cemeteries, one funeral parlour, and one crematorium in China. Our operations are managed across three main areas: cemeteries, funeral services, and preneed funeral plans.

For the year ended 31 December 2012, the revenue of Group and its jointly-controlled entity have increased by 136.53% to approximately HK$16,869,000 (nine months ended 31 December 2011: HK$7,132,000). With the amount of approximately HK$14,136,000 (nine months ended 31 December 2011: HK$7,132,000) was generated from the sales of cemetery plots and cremation in the PRC, and HK$2,733,000 (nine months ended 31 December 2011: nil) was derived from the provision of funeral services in Hong Kong during the year. The funeral shop in Hong Kong commenced business in the fourth quarter during the year.

The increase in overall revenue was primarily due to the significant growth in China cemeteries revenues. Upon the completion of renovation of our flagship cemetery in Suzhou, our competitive advantage in serving the high end customers is greatly enhanced. For the year ended 31 December 2012, the gross profit of the Group was approximately HK$7,992,000 (nine months ended 31 December 2011: HK$3,942,000) and the overall gross profit margin for the Group was 47.38% (nine months ended 31 December 2011: 55.27%). The overall loss of the Group for the year ended 31 December 2012 was approximately HK$46,486,000 while there was approximately HK$182,979,000 of loss incurred for the nine months ended 31 December 2011. The significant loss for the prior period was due to the share-based payment expenses derived from the convertible bond issued by the Company to AXA in May 2011 amounted to HK$147,839,000. Apart from this, the Group incurred approximately HK$35,140,000 loss for the nine months ended 31 December 2011. The Company is still in a beginning stage of the industry revolution cycle in the deathcare business, we have invested a lot of resources to the business during past years in terms of branding, infrastructure, facilities, product designs, people training and etc.

Sales and marketing expenses

Sales and marketing expenses for 2012 were HK$4,333,000, which have increased from HK$894,000 in prior period. The expenses were mainly associated with respective sales and marketing staff costs and corporate marketing promotion events such as the Senior Fair Exhibition held at Hong Kong Convention and Exhibition Center and the "Glamour" drama ("風華再現" 舞台劇) that held at Sunbeam Theatre. The "Glamour" drama was based on a true story from the elderly, Sage has invited hundreds of senior citizens as a witness of the elderlies' life story.

Administrative expenses

Administrative expenses for 2012 decreased from HK$185,602,000 in 2011 to HK$47,227,000 in 2012. The administrative expenses

in 2011 mainly comprised of the share-based payment expenses arising from the convertible bonds issued by the Company to AXA, with the amount of HK$147,839,000. During the year, the administrative expenses incurred are due to the expansion of our current business, particularly the businesses of funeral services and preneed funeral plans in Hong Kong. More staff was hired in both Hong Kong and China during the year, the total staff costs have increased by HK$7,143,000 from HK$12,791,000 in 2011 to HK$19,934,000 in 2012.

Finance income and costs

As at 31 December 2012, the finance income has increased to HK$8,909,000 from HK$295,000 in 2011, which mainly due to the gain arising from extinguishment of a convertible bond issued by the Company to Forrex (Holding) Inc., which is a shareholder of a jointly-controlled entity of the Group. Finance costs for 2012 were HK$4,766,000, representing an increase of 35.32% over HK$3,522,000 for 2011. The increment mainly derived from the interest expense on the convertible bonds issued by the Company.

Glamour Ambassador – Ms. Helena Law, with SAGE Dignity Choice Caring Ambassador – Mr. Wong Wan Choi & our Glamour theme song singer – Mr. Fong Lik Sun, Alex.

CEMETERIES

Overview

The Group operates cemetery in (1) Suzhou, Jiangsu Province; (2) Huaiji, Guangdong Province; and (3) Bijie, Guizhou Province; with land holding for operating cemetery business of approximately 66,000 square meters, 117,000 square meters and 133,200 square meters, respectively. Our cemetery operations sell right of interment in burial spaces, cremation niches and related merchandise, such as markers, monuments and flowers.

Developments

Upon the completion of the renovation of the Suzhou cemetery, the revenue has increased more than double from HK$3,210,000 in 2011 to HK$7,149,000 in 2012. With a mixture of traditional heritage and contemporary architecture, the enhanced cemetery become a popular choice in Jiangsu Province and Shanghai. The Group expected a significant contribution from Suzhou cemetery in coming years.

The application of cemetery license in Huaiji was approved and the infrastructure work of the cemeteries is expected to commence in first half of 2013.

On the other hand, due to the unsatisfactory weather conditions and additional requirement in obtaining certain working permits for the construction of the cemetery in Bijie, the expected date of business commencement will be postponed to first half of 2013. Meanwhile, the construction of foundation work and amenity facilities are in progress as at reporting date.

Furthermore, the Group has entered into a memorandum of understandings to purchase a cemetery located in Beijing from its shareholder, the cemetery is the first garden-style cemetery in Beijing and several former famous generals of China are currently buried there, it is also the largest cemetery in China, in terms of total area of the cemetery.

FUNERAL SERVICES

Overview

The funeral home and cremation businesses in Huaiji are expanding gradually during the year. The revenue arise from cremation services and sales of memorials and respective merchandise is HK$6,989,000 in 2012 as compared with that of HK$4,454,000 in 2011. With the local government grants, the Group has replaced the furnaces during the year in order to improve the efficiency of the cremation time. Moreover, with the local government's education to the residents and the effort we contributed, the cremation rate in Huaiji is improving each year. Following the commencement of cemetery business, the management expected a significant growth of sales in 2013.

In Hong Kong, we have a funeral undertaking shop in Hung Hom which offer a complete range of funeral services and products both at the time of need and on a preneed basis. Our services and products include family counseling, arrange the use of funeral parlour facilities, coordinating the funeral arrangements and ceremonies, supervision of funerals, transfer and removal of remains to funeral parlour, transfer to place of final disposition, documentations & filings, urns, flowers and memorial items.

Our funeral shop at Hung Hom was opened in late 2012, it has provided a refreshed and people-oriented environment for those families in need with an affordable price. We also obtained a second funeral undertaking license to cope with future business development.

In 2012, the Group has successfully bid a tender offered by Government of the Hong Kong Special Administrative Region as the service contractor for sea burials. As of reporting date, the Group has serviced hundreds of families in scattering cremains of their loved ones into the sea. We, as a funeral director, are on board to assist family members and friends during memorial ceremonies and accommodate different religious rituals. According to the Food and Environmental Hygiene Department, the number of application for sea burials had increased fourfold to over 660 from 2007 to 2011. Management is positive that the number will increase continuously in the coming future.

Developments

We targeted to position ourselves as a one-stop funeral service provider with professional team and reasonable price. The Group will continue to extend our funeral services and sales of related funeral products to the public in Hong Kong. With the shortage of niche and burial plot available in Hong Kong, the Group always has a mission and social responsibility to give a hand to relief the stress through different alternative solution.

PRENEED FUNERAL PLANS

Overview

The Group just launched preneed funeral plans during the fourth quarter of 2012. These plans represent future incremental business for the funeral service division. Preneed funeral plans enable families to specify and prepay for funeral services and products in advance. Customers can lock in the price of funeral services through such prepaid contract to avoid any future increase in cost of the funeral services. We differentiate ourselves from many of our competitors through our strong emphasis on preneed sales. Preneed sales are important to our long term growth potential which can provide a stable back log of future revenue source. Currently, we market our preneed services and products to elderly customers. Our goal is to effectively capture the potential clients early on to increase our market share.

SAGE Dignity Choice Caring Ambassador – Mr. Wong Wan Choi

Developments

The Group has set up a trust with a reputable Trustee, who has ample experience in professional trust management to set aside the proceeds from preneed funeral plan in order to safeguard and maintain the independence of its assets. Soft launch of preneed funeral plan took place in late 2012 with a positive customer feedback. Preneed funeral plan allow people to plan and pay for their funeral in advance without worrying about inflation. The Group has a strong market presence in this segment so far and plan to work with insurance companies on new product development.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group has cash and bank balances of approximately HK$11,545,000 (as at 31 December 2011: HK$33,949,000). The Group has concentrated on the business development of funeral services in Hong Kong and China. As at 31 December 2012, the total assets of the Group were HK$435,168,000 (as at 31 December 2011: HK$414,503,000). The net current assets of the Group was HK$98,319,000 (as at 31 December 2011: HK$78,637,000) and the Group's current ratio, which represents the current assets over its current liabilities, was 5.09 times (as at 31 December 2011: 2.79 times).

INVESTMENT POSITION AND PLANNING

On 5 September 2012, the Company has signed a memorandum of understandings with its shareholder to purchase cemetery located in Beijing, the cemetery is the first garden-style cemetery in Beijing and several former famous generals of China are currently buried there, it is also the largest cemetery in China, in terms of total area of the cemetery. The Company is undergoing due diligence review as at the reporting date.

INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

Except for the possible acquisition as disclosed in above section "Investment position and planning", the Group had not made any material acquisition or disposal during the year.

EMPLOYEES AND REMUNERATION POLICIES

For the year ended 31 December 2012, the Group and its jointly-controlled entity had 123 employees and including Directors (nine months ended 31 December 2011: 98). Total staff costs for the year ended 31 December 2012, including Directors' remuneration, amounted to approximately HK$19,934,000 (nine months ended 31 December 2011: approximately HK$12,791,000). The Group's employees remuneration packages are mainly on the basis of individual performance and experience and also having regard to industrial practice, which include basic wages and performance related bonuses. The Group also provides provident fund schemes and medical insurance scheme for its employees. The Company also grants share options to the Directors and eligible employees as well. Details of the Share Options Scheme are set out in note 34 to the consolidated financial statements.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets or any significant contingent liabilities for the year ended 31 December 2012.

Corporate Governance Report

Sage International Group Limited (the "Company") acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving 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 has adopted the Code on Corporate Governance Practices (effective until 31 March 2012) (the "Code") and Corporate Governance Code (the "CG Code") (effective from 1 April 2012) as stated in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

Save as the deviation from the code provision A.2.1, separation of roles of Chairman and Chief Executive Officer pursuant to code provision A.2.1 as disclosed in the section "Chairman and Chief Executive Officer", the Company has met all the code provisions in the CG Code during the year ended 31 December 2012.

CORPORATE GOVERNANCE PRACTICES

The Board assumes overall responsibilities for leadership and control of the Company and is collectively responsible for promoting the success of the Company and its business by directing and supervising the Company's affairs. The Board focuses on overall corporate strategies and policies with attention particularly paid to the financial performance of the Company.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

There is a clear division of the responsibilities of the Board and the management. The Board delegated its responsibilities to directors and senior management to deal with day-to-day operations and review those arrangements on a periodic basis.

Management has to report back to the Board and obtain prior approval before making decisions for key matters or entering into any commitments on behalf of the Company. The Board has a balance of skill and experience appropriate for the requirements of the business of the Company.

The Board has established three committees, namely, the Audit Committee, Nomination Committee and Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request.

BOARD MEETINGS

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 Chairman 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 ensuring 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.

DIRECTORS' SECURITIES TRANSACTIONS

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. Having made specific enquiries of directors of the Company and the directors confirmed that they have fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliance.

BOARD COMPOSITION

The Board comprises two executive directors, including the Chairman of the Board, and three independent non-executive directors. Each of the Directors has the relevant experience, competence and skills appropriate to the requirements of the business of the Company. The name of independent non-executive directors are expressly identified and disclosed in all corporate communications of the Company. Independent non-executive directors are invited to serve on the Audit, Nomination and Remuneration Committees of the Company.

None of the members of the Board is related to one another.

During the year ended 31 December 2012, 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 of 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

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Chui Bing Sun currently holds the offices of Chairman and Chief Executive Officer ("CEO") of the Company. The Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Company will, from time to time, review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and CEO, are necessary.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee ("RC") with specific terms of reference which deals clearly with its authorities and duties. The RC comprised of three members, namely Mr. Siu Hi Lam, Alick (Chairman of RC), Mr. Chan Wai Man and Mr. Law Yee Man, Thomas, all of them are independent non-executive directors of the Company.

The role and function of RC is to oversee board remuneration matters, including recommend the Board on the Company's policies and structure for the remuneration of the directors and senior management, determine the remuneration packages of all executive directors and senior management, review and approving their performance-based remuneration, review and approving compensation to directors and senior management in connection with any loss or termination of their office or appointment, and to ensure that no director or any of his associates is involved in deciding his own remuneration.

The RC is also authorised to investigate any matter within its terms of reference and seek any information it requires from any employee and obtain outside legal or other independent professional advice at the cost of the Company if necessary.

A meeting of the RC was held to review the compensation of directors and senior management. The RC of the Company considered that the existing terms of employment of all executive directors and appointment letters of independent non-executive directors of the Company are fair and reasonable.

NOMINATION COMMITTEE

The Company has established a Nomination Committee ("NC") in April 2012 with specific terms of reference which deals clearly with its authorities and duties. The NC comprised of three members, namely Mr. Law Yee Man, Thomas (Chairman of NC), Mr. Chan Wai Man and Mr. Siu Hi Lam, Alick, all of them are independent non-executive directors of the Company.

The NC is responsible for formulating policy and making recommendations to the Board on nominations, appointment of Directors and Board succession. The Committee develops selection procedures for candidates, and will consider different criteria including appropriate professional knowledge and industry experience, as well as consult external recruitment professionals when required. The Committee also reviews the size, structure and composition of the Board and assesses the independence of the Independent Non-Executive Directors. The Committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at the Company's expense if necessary.

The NC of the Company considered that the existing terms of employment of all executive directors and appointment letters of independent non-executive directors of the Company are fair and reasonable.

AUDIT COMMITTEE

The Company has established an Audit Committee ("AC") with specific terms of reference explaining its role and authorities delegated by the Board. The AC consists of three independent non-executive Directors, namely Mr. Chan Wai Man (Chairman of AC), Mr. Law Yee Man, Thomas and Mr. Siu Hi Lam, Alick, who together have sufficient accounting and financial management expertise, legal and business experience to discharge their duties and none of them is a former partner of the external auditors of the Company. In accordance with the provisions of the CG Code, the terms of reference of the AC were also revised which are substantially the same as the provisions set out in the CG Code.

The AC's principal duties include reviewing the Group's financial controls, internal control and risk management systems, reviewing and monitoring integrity of consolidated financial statements and reviewing annual, interim and quarterly consolidated financial statements and reports before submission to the Board and considering and recommending the appointment, re-appointment and removal of external auditors of the Company. The AC meets with the external auditors and the management of the Group to ensure that the audit findings are addressed properly. The AC is authorized to take independent professional advice at Company's expense, if necessary.

The AC has reviewed the annual, interim and quarterly results of the Company during the year ended 31 December 2012 and was consent that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

ATTENDANCE OF INDIVIDUAL DIRECTOR

Details of Directors' attendance at the Board meetings, meetings of Board committees and general meetings held in 2012 are set out in the following table:

	Attendance/Number of meetings				
Name of Directors	**Board Meetings**	**RC Meetings**	**NC Meeting**	**AC Meetings**	**General Meetings**
Executive Directors					
Mr. Chui Bing Sun (Chairman)	13/13	N/A	N/A	N/A	2/2
Mr. Kwok Kwan Hung	13/13	N/A	N/A	N/A	2/2
Independent Non-executive Directors					
Mr. Chan Wai Man	13/13	2/2	1/1	4/4	1/2
Mr. Law Yee Man, Thomas	13/13	2/2	1/1	4/4	2/2
Mr. Siu Hi Lam, Alick	13/13	2/2	1/1	4/4	2/2

AUDITOR'S REMUNERATION

The consolidated financial statements of the Company for the year ended 31 December 2012 have been audited by PricewaterhouseCoopers. During the year, remuneration of approximately HK$1,450,000 for the provision of audit services.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 December 2012 is set out below:

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.

	Number of members of senior management
HK$1,000,000 or above	2
HK$500,000 – HK$999,999	1
	3

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 of the latest changes 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 Annual General Meeting ("AGM") after their appointment and thereafter at least once every three years in accordance with the Bye-laws of the Company.

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

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

CORPORATE STRATEGY AND BUSINESS MODEL

The Group has dedication and commitment in revolutionizing the deathcare industry through innovative thinking, providing alternatives and think out of the traditional way in the industry. The Group believes that the operating strategies and positioning of itself as a pioneer of the funeral industry will drive the Group to generate and preserve value over the longer term.

Details of the Group's business and financial review in the year 2012 which are set out in the "Management Discussion and Analysis" section of this annual report provide the basis on which the Group will execute its strategy for delivery the Group's objective.

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2012.

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 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 2012, the Directors have adopted suitable accounting policies and applied them consistently.

The responsibility of the auditors with respect to these consolidated financial statements is set out in the Independent Auditor's Report on pages 32 to 33 of this Annual Report.

COMPANY SECRETARY

The Company Secretary supports the Chairman, Board and Board Committees by ensuring good information flow and that Board policy and procedures are followed. He advises the Board on governance matters and facilities 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 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. Kwok Kwan Hung, being the secretary of the Company, has taken not less than 15 hours of relevant professional training during the year ended 31 December 2012.

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. Continuing education and information are provided to the Directors regularly to help ensuring that the Directors are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses.

In addition, with effect from 1 April 2012, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has provided trainings for Directors in the form of seminar and reading materials since the Revised Code became effective from 1 April 2012.

INTERNAL CONTROLS

The Board has conducted review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions for the year ended 31 December 2012 in respect of the major operations of the Group. The company has set up an internal control department to monitor the overall internal control system of the Group. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

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.

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given 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 Stock Exchange and the Company.

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

SHAREHOLDER RIGHTS

To safeguard shareholder interest and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact the share registrar of the Company, if they have any enquiries about their shareholdings.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the GEM of Stock Exchange and the Company after each shareholder meeting.

Pursuant to the Bye-Laws of the Company, the Board may whenever it thinks fit call special general meetings, and the shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, 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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chui Bing Sun ("Mr. Chui"), aged 36, joined the Group on 23 November 2007 and is also a Chairman and CEO of the Group. Mr. Chui leads the board in strategic direction and overall business development in the deathcare industry. Mr. Chui has extensive experiences in funeral industry. Mr. Chui studied over 60 cemeteries and funeral homes in China, Taiwan, United States (the "U.S."), United Kingdom (the "U.K.") and France. Prior to joining the group, Mr. Chui has several years of experience in hedge fund and portfolio management. Mr. Chui has been a fund manager of two global hedge funds for five years and has worked for two international accounting firms. Mr. Chui is a member of the American Institute of Certified Public Accountants ("AICPA") and is a Chartered Financial Analyst ("CFA"). Mr. Chui is also currently pursuing his PhD in financial engineering at the University of Warwick.

Mr. Kwok Kwan Hung ("Mr. Kwok"), aged 47, joined the Group on 23 November 2007 and is the CFO, company secretary and compliance officer of the Group overseeing the financial and compliance functions of the Group. Mr. Kwok is also the COO of the Hong Kong business operation overseeing operation and control function of Hong Kong. Mr. Kwok has 24 years of experiences in financial industry and has held various senior positions in listed companies, investment banking groups and an international accounting firm. Mr. Kwok is a practicing certified public accountant, who is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Directors. Mr. Kwok holds a Bachelor's degree in Science from the University of London. Mr. Kwok is currently an independent non-executive director of Regent Manner International Holdings Limited (stock code: 1997).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Man ("Mr. Chan"), aged 47, joined the Group on 23 November 2007 and is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and also a fellow member of the Association of Chartered Certified Accountants. Mr. Chan has experiences in auditing, taxation and finance. Mr. Chan was an independent non-executive director of Computech Holdings Limited (stock code: 8081) from May 2011 to December 2011.

Mr. Law Yee Man, Thomas ("Mr. Law"), aged 55, joined the Group on 12 July 2011 and was the managing director of Hunter Douglas China/Hong Kong Limited and had been a director of various Hunter Douglas companies over a 20-year period in Singapore, Shanghai, Beijing, Shenzhen and Xiamen in the People's Republic of China (the "PRC"). Prior to that, Mr. Law was the deputy general manager of a subsidiary of K.Wah Stones Group in Hong Kong. Mr. Law has a Bachelor Degree in Architecture from the University of Melbourne in Australia and a Master of Science Degree in Engineering Business from the University of Warwick in the U.K. Mr. Law is an associate member of the Royal Australian Institute of Architects. Mr. Law is currently an independent non-executive director of AcrossAsia Limited (stock code: 8061).

Mr. Siu Hi Lam, Alick ("Mr. Siu"), aged 58, joined the Group on 2 February 2010 and has worked in the finance and banking field for over 25 years. Mr. Siu is the managing director of Fortune Take International Limited, a company engaging in providing financial consultancy services. 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 obtained 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 BEP International Holdings Limited (stock code: 2326). Mr. Siu was an independent non-executive director of China Investment Fund Company Limited (stock code: 612) from November 2010 to January 2012.

SENIOR MANAGEMENT

Mr. Richard Andrew Connell ("Mr. Connell"), aged 58, was appointed as the Senior Advisor to the board of directors in July 2011. Mr. Connell is responsible for providing strategic advice to the board in business development and operation of the deathcare services of the Group. Before joining the Group, Mr. Connell was the chairman or non-executive director of a number of listed and unlisted companies in the U.K. for over 10 years. Mr. Connell was also the chairman of Dignity plc, a FTSE250 Company which engaged in the business of funeral services, for the period from 2002 to 2008 and responsible for the strategic planning and development of funeral business. Mr. Connell also worked for a number of private equity and venture capital funds for 18 years.

Ms. Ma Pun Sai, Betsy ("Ms. Ma"), aged 47, was appointed as the director of sales and marketing of the Group in January 2012 and was appointed as the Head of Hong Kong in January 2013. Ms. Ma is responsible for the marketing and sales of the Hong Kong funeral and preneed services of the Group. Ms. Ma has over 20 years of experience in public relations for business, celebrities and non-profit organizations. Before joining the Group, Ms. Ma has worked in the areas of network marketing and was a US$10 million circle member at Nu Skin Enterprise Hong Kong and Honorary Executive Director of Nu Skin Greater China Children Heart Fund.

Mr. Duan Luwen, Kevin ("Mr. Duan"), aged 46, is the director of Suzhou Celebrities Cemetery Industry Co., Limited ("Suzhou Celebrities"), currently a 50% subsidiary of the Group. Mr. Duan was appointed as the Head of PRC of the Group in January 2013 and is responsible for the operation of the Group's cemeteries in China. Mr. Duan's working experience began from late 1980s with AJ Corp, which is a listing company of Shanghai Stock Exchange. Mr. Duan has extensive experience in management of joint ventures entries. In the early 1990s, Mr. Duan started his own business in the fields of consulting and international trading. Mr. Duan has over 15 years' experience in funeral industry was focusing on cemetery service to worldwide Chinese.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and a jointly-controlled entity are set out in notes 21 and 22 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 2012 are set out in note 7 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 35. The directors do not recommend the payment of a dividend for the year ended 31 December 2012 (nine months ended 31 December 2011: 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 134 of the annual report.

FIXED ASSETS

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2012 is set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year ended 31 December 2012 in the share capital of the Company are set out in note 33 to the consolidated financial statements.

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve available for distribution to shareholders comprised contributed surplus and retained profit. The Company had no reserves available for distribution as at 31 December 2012.

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2012 are set out in note 35 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

DIRECTORS

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

Executive Directors

Mr. Chui Bing Sun (Chairman)
Mr. Kwok Kwan Hung

Independent non-executive Directors

Mr. Chan Wai Man
Mr. Law Yee Man, Thomas
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. Law Yee Man, Thomas and Mr. Siu Hi Lam, Alick 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 one year from the date of appointment and is renewable each year 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 Rules Governing the Listing of Securities (the "Listing Rules") on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE BONDS

At 31 December 2012, the interests of the Directors and the chief executives and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the model code for Securities Transactions by Directors of Listed Issuers, were as follows:

Interests in shares and underlying shares of the Company

Number of ordinary shares and underlying shares beneficially held

(A) Long positions

Name of the Directors	Capacity	Notes	Number of issued ordinary shares held	Number of underlying shares held	Total Number of shares and underlying shares held	Percentage of the issued share capital of the Company
Mr. Chui Bing Sun ("Mr. Chui")	Interest of a controlled corporation	1	183,594,000	512,820,512	696,414,512	45.88%
	Personal	2	6,000	9,832,653	9,838,653	0.65%
	Person acting in concert	3	–	603,571,428	603,571,428	39.77%
			183,600,000	1,126,224,593	1,309,824,593	86.30%
Mr. Kwok Kwan Hung	Personal	4	660,000	18,324,489	18,984,489	1.25%
Mr. Law Yee Man, Thomas	Personal	4	600,000	1,117,346	1,717,346	0.11%
Mr. Chan Wai Man	Personal	4	270,000	1,340,816	1,610,816	0.11%
Mr. Siu Hi Lam, Alick	Personal	4	–	1,117,347	1,117,347	0.07%

Notes:

1. New Brilliant Investments Limited ("New Brilliant") was interested in 183,594,000 shares and, pursuant to a subscription agreement dated 22 April 2010 (as supplemented by the supplemental agreement), New Brilliant agreed to subscribe for the convertible bonds in the principal amount of HK$20,000,000 to be issued by the Company at an initial conversion price of HK$0.04 per share and subsequently adjusted to HK$0.039 per share upon the completion of rights issue on 4 June 2012. Accordingly, New Brilliant was interested in 512,820,512 underlying shares of the Company derived from the convertible bonds. New Brilliant is wholly and beneficially owned by Mr. Chui, an executive Director of the Company.

2. Mr. Chui had a personal interest in 6,000 shares and 9,832,653 underlying shares of the Company upon the completion of rights issue on 4 June 2012. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 9,832,653 shares at adjusted exercise price of HK$0.447 per share.

3. Mr. Chui was deemed to be interested in 603,571,428 underlying shares in respect of the convertible bonds issued by the Company to AXA Direct Asia II, L.P., a party acting in concert with him.

4. For details of the underlying shares, please refer to the next section headed "share options" which stated all the details of share options granted to Directors.

(B) Warrants

Name	Capacity	Number of adjusted warrants held	Number of adjusted underlying shares
Mr. Richard Andrew Connell	Beneficial owner	64,811,682	64,811,682
Ms. Ma Pun Sai, Betsy	Beneficial owner	44,928,005	44,928,005

Save as disclosed above and in the following section "share options", none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2012.

(C) Share options

Pursuant to the new share options scheme adopted by the Company on 31 August 2011, certain Directors and participants were granted share options to subscribe for the Company's shares, details of share options outstanding and exercisable as at year ended 31 December 2012 were as follows:

	Number of share options							
	Adjusted outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding and exercisable as at year ended 31 December 2012	Date of grant	Exercise period	Adjusted exercise price per share
Category 1: Directors								
Mr. Chui	9,832,653	–	–	–	9,832,653	22 March 2011	22 March 2011 – 21 March 2021	HK$0.447
Mr. Kwok Kwan Hung	357,551	–	–	–	357,551	15 February 2008	15 February 2008 – 14 February 2018	HK$0.738
	1,117,347	–	–	–	1,117,347	7 July 2010	7 July 2010 – 6 July 2020	HK$0.191
	1,430,204	–	–	–	1,430,204	12 August 2010	12 August 2010 – 11 August 2020	HK$0.526
	4,245,918	–	–	–	4,245,918	3 December 2010	3 December 2010 – 2 December 2020	HK$0.477
	11,173,469	–	–	–	11,173,469	5 December 2011	5 December 2011 – 4 December 2021	HK$0.254
Mr. Chan Wai Man	223,469	–	–	–	223,469	15 February 2008	15 February 2008 – 14 February 2018	HK$0.738
	1,117,347	–	–	–	1,117,347	5 December 2011	5 December 2011 – 4 December 2021	HK$0.254
Mr. Law Yee Man, Thomas	446,938	–	–	–	446,938	12 August 2011	12 August 2011 – 11 August 2021	HK$0.392
	670,408	–	–	–	670,408	5 December 2011	5 December 2011 – 4 December 2021	HK$0.254
Mr. Siu Hi Lam, Alick	1,117,347	–	–	–	1,117,347	5 December 2011	5 December 2011 – 4 December 2021	HK$0.254
Total	**31,732,651**	**–**	**–**	**–**	**31,732,651**			

	Number of share options							
	Adjusted outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding and exercisable as at year ended 31 December 2012	Date of grant	Exercise period	Adjusted exercise price per share
Category 2: Employees/consultants								
Employees	12,737,755	–	–	–	12,737,755	7 July 2010	7 July 2010 – 6 July 2020	HK$0.191
Employees	9,609,183	–	–	–	9,609,183	9 September 2010	9 September 2010 – 8 September 2020	HK$0.513
Employees	7,151,020	–	–	–	7,151,020	13 September 2010	13 September 2010 – 12 September 2020	HK$0.479
Employees	5,810,204	–	–	–	5,810,204	3 December 2010	3 December 2010 – 2 December 2020	HK$0.477
Consultant	3,575,510	–	–	–	3,575,510	14 December 2007	14 December 2007 – 13 December 2017	HK$0.626
Consultant	5,184,489	–	–	–	5,184,489	12 August 2010	12 August 2010 – 11 August 2020	HK$0.526
Consultant	1,264,836	–	–	–	1,264,836	6 September 2010	6 September 2010 – 5 September 2020	HK$0.443
Consultant	9,832,653	–	–	–	9,832,653	22 March 2011	22 March 2011 – 21 March 2021	HK$0.447
	55,165,650	–	–	–	55,165,650			
Total	**86,898,301**	**–**	**–**	**–**	**86,898,301**			

Upon the completion of the rights issue on 4 June 2012, the exercise prices per share and the number of shares to be issued under the outstanding share options were adjusted as above.

There were no share options cancelled, lapsed or forfeited during the year ended 31 December 2012.

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

As at year ended 31 December 2012, 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 under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") and Section 336 of the SFO, were as follows:

Number of ordinary shares and underlying shares beneficially held

Name	Capacity	Notes	Number of shares	Number of underlying shares	Total number of shares and underlying shares held	Long/short position	Percentage of interests
New Briliant	Beneficial owner	1	183,594,000	512,820,512	696,414,512	Long	45.88%
Mr. Chui	Interest of a controlled corporation	1	183,594,000	512,820,512	696,414,512	Long	45.88%
	Beneficial owner	2	6,000	9,832,653	9,838,653	Long	0.65%
	Person acting in concert	3	–	603,571,428	603,571,428	Long	39.77%
			183,600,000	1,126,224,593	1,309,824,593		86.30%
AXA PE Asia Manager Limited	Beneficial owner	4	–	603,571,428	603,571,428	Long	39.77%
	Person acting in concert	4	–	706,253,165	706,253,165	Long	46.53%
			–	1,309,824,593	1,309,824,593		86.30%
		5	–	452,678,571	452,678,571	Short	29.82%
MM3 International Limited	Beneficial owner	6	100,000,000	–	100,000,000	Long	6.59%
Forrex (Holding) Inc. ("Forrex")	Beneficial owner	7	–	159,326,424	159,326,424	Long	10.50%
Mr. Luwen Kevin Duan ("Mr.Duan")	Interest of controlled corporations	6 and 7	100,000,000	159,326,424	259,326,424	Long	17.09%
Mr. Ho Sai Lon Mark	Beneficial owner		252,061,441	–	252,061,441	Long	16.61%
Capital VC Limited	Beneficial owner		187,754,000	–	187,754,000	Long	12.37%
Ms. Ma Pun Sai, Betsy	Beneficial owner		46,968,000	44,928,005	91,896,005	Long	6.05%
Mr. Li Siu Kim	Beneficial owner		90,666,664	–	90,666,664	Long	5.97%

Notes:

1. New Brilliant was interested in 183,594,000 shares and, pursuant to a subscription agreement dated 22 April 2010 (as supplemented by the supplemental agreement), New Brilliant agreed to subscribe for the convertible bonds in the principal amount of HK$20,000,000 to be issued by the Company at an initial conversion price of HK$0.04 per share and subsequently adjusted to HK$0.039 per share upon the completion of rights issue on 4 June 2012. Accordingly, New Brilliant was interested in 512,820,512 underlying shares of the Company derived from the convertible bonds. New Brilliant is wholly and beneficially owned by Mr. Chui.

2. Mr. Chui had a personal interest in 6,000 shares and 9,832,653 underlying shares of the Company.

3. Mr. Chui was deemed to be interested in 603,571,428 underlying shares in respect of the convertible bonds issued by the Company to AXA Direct Asia II, L.P., a party acting in concert with him.

4. AXA PE Asia Manager Limited, a company incorporated in Jersey which is registered under the Jersey Financial Services Commission, managed the fund of AXA Direct Asia II, L.P. ("AXA"). AXA and Mr. Chui are parties acting in concert. Pursuant to a subscription agreement dated 14 March 2011 (as supplemented by the supplemental agreement), AXA agreed to subscribe for the convertible bonds in the principal amount of US$12,500,000 (equivalent to approximately HK$97,175,000) to be issued by the Company at an initial conversion price of HK$0.787 per share and subsequently adjusted to HK$0.161 per share upon the completion of rights issue on 4 June 2012, which represented 603,571,428 shares.

   AXA was deemed to be interested in 706,253,165, representing (i) 696,414,512 shares and underlying shares in respect of the convertible bonds issued by the Company to New Billiant and (ii) 9,838,653 shares and underlying shares of options held by Mr. Chui, respectively; Mr. Chui and AXA are parties acting in concert.

5. A call option deed and put option deed were entered between AXA and New Brilliant, in which call option deed required AXA Direct to sell New Brilliant the convertible bonds up to maximum principal amount of the lesser of (i) US$6,250,000; or (ii) the difference between US$12,500,000 and the aggregate principal amount of the convertible bonds and related conversion shares disposed of by AXA. The put option deed required New Brilliant to purchase from AXA the convertible bonds up to maximum principal amount US$3,125,000 that are outstanding at the maturity date.

6. MM3 International Limited is wholly and beneficially owned by Mr. Duan, who is a director and wholly owned beneficial owner of Forrex, a corporate director of a jointly-controlled entity of the Company.

7. The 3% convertible bonds of the Company in the principal amount of HK$30,750,000 was held by Forrex ("Forrex CB"), which are convertible into 159,326,424 shares at the adjusted conversion price of HK$0.193 per share upon the completion of rights issue on 4 June 2012. Forrex is wholly and beneficially owned by Mr. Duan. Forrex is a corporate director of Era Investment (Holding) Inc., a jointly-controlled entity of the Group.

   On 15 August 2012, the Company and Forrex entered into the Deed of Amendment in relation to the extension of the maturity date of the Forrex CB, the maturity date will be extended to 31 May 2016 from the original maturity date which fall due on 30 September 2012.

Save as disclosed above, as at year ended 31 December 2012, 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, 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 attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the options holdings and the convertible bonds disclosed above, at no time during the year ended 31 December 2012 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 39 to the consolidated financial statements, 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 2012 or at any time during the year.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in note 4.24 to the consolidation 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 2012.

CONNECTED TRANSACTIONS

There are no transactions which would need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2012 and up to the date of this report, Mr. Chui, the Chairman and executive director of the Company, is considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group.

Mr. Chui maintains certain interests of companies which consist of deathcare and related business in Hong Kong and China. As such, the Board believes that Mr. Chui may, in some respects, regard as being interested in such competing businesses (the "Competing Businesses") with the Group.

However, the Competing Businesses are operating and managing by independent management and administration and the boards of the Competing Businesses are independent from the Board of the Company. Mr. Chui is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its shareholders as a whole. Accordingly, the Group is capable of carrying on its business independently of, and at arm's length from, the Competing Businesses mentioned above.

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 as an incentive to directors and eligible employees, details of the scheme is set out in note 34(b) to the consolidated financial statements.

ADVANCE TO ENTITY

As at year ended 31 December 2012, the aggregated amount of advances made by the Company to the jointly-controlled entity of the Group as working capital and capital expenditure, approximately HK$22,747,000, represents approximately 5.25% of the total assets value of the Group under the assets ratio (as defined under Rule 19.07(1) of the GEM Listing Rules), it constitutes as advance to entity under Rule 17.15 of the GEM Listing Rules.

The amounts are interest-free and repayable on demand.

COMMITMENTS

Details of operating leases commitment and capital commitment are set out in notes 37 and 38, respectively to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this annual 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 2012, the Group made charitable and other donations amounting to approximately HK$50,000 (nine months ended 31 December 2011: HK$50,000).

AUDITOR

During the year, Messrs Parker Randall CF (H.K.) CPA Limited, who act as auditor of the Company for the past three years, resigned and Messrs. PricewaterhouseCoopers was appointed as auditor of the Company.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. PricewaterhouseCoopers as auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

On 16 January 2013, Forrex who jointly controls Era Investment (Holding), Inc. ("EIHI") with Grand Creation Investments Limited ("Grand Creation"), a wholly own subsidiary of the Company, has given an unconditional irrevocable undertaking (the "Undertaking") in favour of Grand Creation pursuant to which Forrex shall vest to Grand Creation all of the voting rights enjoyed by Forrex in respect of its 50% equity interest in EIHI from time to time. The Undertaking shall be valid for a term of three years and subject to further review of the terms of the Undertaking therein upon renewal. Upon the execution of this Undertaking, the Group has the power to govern the financial and operating policies of EIHI whereby the Group has to account for such transaction as a business combination. At the date of this report, the Group is yet to obtain all necessary information, accordingly, certain disclosures in relation to the business combination as at the date of the Undertaking, such as the fair value of net assets acquired has not been presented in these consolidated financial statements.

On 9 April 2013, the Company entered into a loan agreement with Mr. Chui whereby Mr. Chui agreed to provide a loan of HK$20,000,000 to the Company with interest bearing of 19% per annum and it is repayable after one year. Although the loan can be demanded for early repayment if there is any fund raised (either in a form of debt or equity financing) by the Company for any amount of net proceeds of not less than HK$20,000,000, the fund raised by the Company must not have any conditions which require the Company to repay the fund raised within twelve months from the date of the loan agreement entered between Mr. Chui and the Company.

On behalf of the Board

Chui Bing Sun
Chairman

11 April 2013

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF SAGE INTERNATIONAL GROUP LIMITED
(incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of Sage International Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 34 to 133, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, 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 a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 11 April 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated) (Note 3)
Continuing operations			
Revenue	7	**16,869**	7,132
Cost of sales	9	**(8,877)**	(3,190)
Gross profit		**7,992**	3,942
Other income	8(a)	**896**	716
Other (losses)/gains, net	8(b)	**(9,236)**	1,589
Sales and marketing expenses	9	**(4,333)**	(894)
Administrative expenses	9		
– Share-based payment		**(3,758)**	(8,101)
– Share-based payment arising from the issue of convertible bond		**–**	(147,839)
– Others		**(43,469)**	(29,662)
Operating loss		**(51,908)**	(180,249)
Finance income	13	**8,909**	295
Finance costs	13	**(4,766)**	(3,522)
Loss before taxation	9	**(47,765)**	(183,476)
Income tax credit	14	**1,279**	504
Loss for the year/period from continuing operations		**(46,486)**	(182,972)
Discontinued operation			
Loss for the year/period from a discontinued operation	15	**–**	(7)
Loss for the year/period		**(46,486)**	(182,979)
Loss attributable to:			
Owners of the Company		**(45,327)**	(182,386)
Non-controlling interests		**(1,159)**	(593)
		(46,486)	(182,979)
Loss per share attributable to owners of the Company during the year/period (expressed in HK$ per share)	17		
Basic			
– From continuing operations		**HK$(0.034)**	HK$(0.171)
– From a discontinued operation		**–**	–
Diluted			
– From continuing operations		**N/A**	N/A
– From a discontinued operation		**–**	–

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated) (Note 3)
Loss for the year/period	**(46,486)**	(182,979)
Other comprehensive income:		
Exchange differences on translation of foreign operations	**1,707**	6,513
Total comprehensive loss for the year/period	**(44,779)**	(176,466)
Total comprehensive loss for the year/period attributable to:		
Owners of the Company	**(43,964)**	(177,598)
Non-controlling interests	**(815)**	1,132
	(44,779)	(176,466)

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated) (Note 3)	As at 1 April 2011 HK$'000 (Restated) (Note 3)
Assets				
Non-current assets				
Property, plant and equipment	18	**48,680**	16,557	14,110
Intangible assets	19	**25,375**	22,547	21,456
Cemetery assets use rights	20	**212,765**	225,115	218,408
Deposits for non-current assets	24	**25,972**	27,741	–
		312,792	291,960	253,974
Current assets				
Inventories	23	**80,959**	72,134	71,778
Prepayments, deposits and other receivables	24	**9,737**	1,670	4,311
Balances with a jointly-controlled entity	25	**18,364**	12,329	8,063
Derivative financial instrument	26	**1,771**	2,461	1,302
Cash and cash equivalents	27	**11,545**	33,949	5,971
		122,376	122,543	91,425
Liabilities				
Current liabilities				
Trade payables	28	**867**	502	733
Loan from a non-controlling interest	25	**1,229**	1,222	1,185
Other payables and accruals	29	**20,732**	12,107	14,775
Income tax payable		**–**	5	5
Other borrowings	31	**1,229**	1,222	25,593
Convertible bonds	32	**–**	28,848	–
		24,057	43,906	42,291
Net current assets		**98,319**	78,637	49,134
Total assets less current liabilities		**411,111**	370,597	303,108

	Notes	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated) (Note 3)	As at 1 April 2011 HK$'000 (Restated) (Note 3)
Non-current liabilities				
Other payables and accruals	29	**2,586**	1,437	1,577
Deferred income tax liabilities	30	**70,688**	71,556	70,019
Other borrowings	31	**14,539**	14,715	14,810
Convertible bonds	32	**107,626**	76,131	44,942
		195,439	163,839	131,348
Net assets		**215,672**	206,758	171,760
Capital and reserves				
Share capital	33	**3,795**	2,530	2,522
Reserves	35	**143,744**	135,141	117,574
Equity attributable to owners of the Company		**147,539**	137,671	120,096
Non-controlling interests		**68,133**	69,087	51,664
		215,672	206,758	171,760

Chui Bing Sun
Director

Kwok Kwan Hung
Director

The accompanying notes are an integral part of these consolidated financial statements.

Statement of Financial Position

	Notes	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated) (Note 3)	As at 1 April 2011 HK$'000 (Restated) (Note 3)
Assets				
Non-current assets				
Investments in subsidiaries	21	**78**	78	78
Amounts due from subsidiaries	21	**296,988**	242,374	194,688
		297,066	242,452	194,766
Current assets				
Other receivables		**1**	109	860
Derivative financial instrument	26	**1,771**	2,461	1,302
Cash and bank balances	27	**691**	16,529	1,448
		2,463	19,099	3,610
Liabilities				
Current liabilities				
Other payables and accruals	29	**7,193**	4,347	5,338
Other borrowings	31	**–**	–	25,000
Amounts due to subsidiaries	21	**52**	719	58
Convertible bonds	32	**–**	28,848	–
		7,245	33,914	30,396
Net current liabilities		**(4,782)**	(14,815)	(26,786)
Total assets less current liabilities		**292,284**	227,637	167,980
Non-current liability				
Convertible bonds	32	**107,626**	76,131	44,942
Net assets		**184,658**	151,506	123,038
Equity				
Capital and reserves				
Share capital	33	**3,795**	2,530	2,522
Reserves	35	**180,863**	148,976	120,516
		184,658	151,506	123,038

Chui Bing Sun
Director

Kwok Kwan Hung
Director

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											
	Share capital HK$'000 (Note 33)	Share premium HK$'000	Contributed surplus HK$'000 (Note 35)	Exchange reserve HK$'000	Option deed HK$'000	Share-based payment reserve HK$'000 (Note 34)	Warrant shares reserve HK$'000 (Note 34)	Convertible bonds equity reserve HK$'000 (Note 32)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2011, as previously stated	2,522	42,248	31,713	(243)	-	8,814	-	7,446	(25,246)	67,254	(6,766)	60,488
Prior year adjustments with respect to:												
Fair value measurement related to the issuance of CB2.1 and CB2.2 and related adjustment on conversion of CB2.1 (Note 3(a)(i))	–	25,547	–	–	–	–	–	24,193	(1,511)	48,229	–	48,229
Recognition and measurement of identifiable intangible assets acquired in connection with the EIHI acquisition and the corresponding deferred tax impact at the date of acquisition (Note 3(a)(ii))	–	–	–	3,962	–	–	–	–	200	4,162	53,191	57,353
Additional amortisation charge arising from the recognition of the operating rights (Note 3(a)(iii))	–	–	–	–	–	–	–	–	(797)	(797)	–	(797)
Recognition and measurement of identifiable intangible assets acquired in connection with the LPIL acquisition and the corresponding deferred tax impact at the date of acquisition (Note 3(b)(i))	–	–	–	68	19	–	–	–	1,600	1,687	5,239	6,926
Recognition and fair value measurement of CB1 (Note 3(c))	–	–	–	–	–	21,789	–	(3,030)	(19,198)	(439)	–	(439)
Fair value measurement and amortisation of warrant shares and share options expenses (Note 3(j))	–	–	–	–	–	764	–	–	(764)	–	–	–
At 1 April 2011, as restated	2,522	67,795	31,713	3,787	19	31,367	–	28,609	(45,716)	120,096	51,664	171,760
Loss for the period, as restated	–	–	–	–	–	–	–	–	(182,386)	(182,386)	(593)	(182,979)
Other comprehensive loss for the period, as restated												
Exchange differences on translation of foreign operations	–	–	–	4,788	–	–	–	–	–	4,788	1,725	6,513
Total comprehensive loss for the period, as restated	–	–	–	4,788	–	–	–	–	(182,386)	(177,598)	1,132	(176,466)
Issue of convertible bonds	–	–	–	–	–	186,400	–	–	–	186,400	–	186,400
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	16,291	16,291
Equity-settled warrant shares arrangement	–	–	–	–	–	–	3,933	–	–	3,933	–	3,933
Employee share options scheme												
Lapse of share options	–	–	–	–	–	(272)	–	–	272	–	–	–
Equity-settled share options arrangement	–	–	–	–	–	4,168	–	–	–	4,168	–	4,168
Issue of shares pursuant to the exercise of share options	8	973	–	–	–	(309)	–	–	–	672	–	672
At 31 December 2011, as restated	2,530	68,768	31,713	8,575	19	221,354	3,933	28,609	(227,830)	137,671	69,087	206,758

	Attributable to owners of the Company											
	Share capital HK$'000 (Note 33)	Share premium HK$'000	Contributed surplus HK$'000 (Note 35)	Exchange reserve HK$'000	Option deed HK$'000	Share-based payment reserve HK$'000 (Note 34)	Warrant shares reserve HK$'000 (Note 34)	Convertible bonds equity reserve HK$'000 (Note 32)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012, as previously stated	2,530	43,221	31,713	(719)	–	9,961	2,041	52,623	(60,137)	81,233	9,273	90,506
Prior year adjustments with respect to:												
Fair value measurement related to the issuance of CB2.1 and CB2.2 and related adjustment on conversion of CB2.1 (Note 3(a)(i))	–	25,547	–	–	–	–	–	24,193	(384)	49,356	–	49,356
Recognition and measurement of identifiable intangible assets acquired in connection with the EIHI acquisition and the corresponding deferred tax impact at the date of acquisition (Note 3(a)(ii))	–	–	–	8,959	–	–	–	–	541	9,500	54,357	63,857
Additional amortisation charge arising from the recognition of the operating rights (Note 3(a)(iii))	–	–	–	–	–	–	–	–	(2,163)	(2,163)	–	(2,163)
Recognition and measurement of identifiable intangible assets acquired in connection with the LPIL acquisition and the corresponding deferred tax impact at the date of acquisition (Note 3(b)(i))	–	–	–	335	19	–	–	–	1,600	1,954	5,457	7,411
Recognition and fair value measurement of CB1 (Note 3(c))	–	–	–	–	–	21,789	–	(3,030)	(19,465)	(706)	–	(706)
Recognition and fair value measurement of CB3 (Note 3(d))	–	–	–	–	–	186,400	–	(45,177)	(142,726)	(1,503)	–	(1,503)
Fair value measurement and amortisation of warrant shares and share options expenses (Note 3(j))	–	–	–	–	–	3,204	1,892	–	(5,096)	–	–	–
At 1 January 2012, as restated	2,530	68,768	31,713	8,575	19	221,354	3,933	28,609	(227,830)	137,671	69,087	206,758
Loss for the year	–	–	–	–	–	–	–	–	(45,327)	(45,327)	(1,159)	(46,486)
Other comprehensive loss for the year												
Exchange differences on translation of foreign operations	–	–	–	1,363	–	–	–	–	–	1,363	344	1,707
Total comprehensive loss for the year	–	–	–	1,363	–	–	–	–	(45,327)	(43,964)	(815)	(44,779)
Rights issue	1,265	48,809	–	–	–	–	–	–	–	50,074	–	50,074
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	(139)	(139)
Employee share options scheme												
Equity-settled warrant shares arrangement	–	–	–	–	–	–	3,347	–	–	3,347	–	3,347
Equity-settled share options arrangement	–	–	–	–	–	411	–	–	–	411	–	411
At 31 December 2012	3,795	117,577	31,713	9,938	19	221,765	7,280	28,609	(273,157)	147,539	68,133	215,672

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated) (Note 3)
Operating activities		
Loss before taxation:		
From continuing operations	**(47,765)**	(183,476)
From a discontinued operation	**–**	(7)
	(47,765)	(183,483)
Adjustments for:		
Depreciation of property, plant and equipment	**2,349**	1,397
Amortisation of software license	**4**	–
Impairment charge of intangible assets	**629**	–
Share-based payment arising from the issue of convertible bond	**–**	147,839
Equity-settled share options expenses	**411**	4,168
Equity-settled warrant shares expenses	**3,347**	3,933
Fair value changes on financial instrument	**9,270**	(1,472)
Loss on disposal of property, plant and equipment	**1,235**	629
Finance income	**(8,909)**	–
Finance costs	**4,766**	2,403
Income tax paid	**(5)**	–
Operating cash flows before movements in working capital	**(34,668)**	(24,586)
Decrease/(increase) in inventories	**541**	(112)
Decrease in cemetery assets use rights	**4,647**	1,892
(Increase)/decrease in prepayments, deposits and other receivables	**(8,021)**	2,666
Increase in balances with a jointly-controlled entity	**(6,035)**	(4,266)
Increase/(decrease) in trade payables	**365**	(231)
Increase/(decrease) in other payables and accruals	**7,869**	(3,412)
Cash used in operations	**(35,302)**	(28,049)
Interest received	**217**	–
Interest paid	**(300)**	–
Net cash used in operating activities	**(35,385)**	(28,049)
Investing activities		
Purchase of property, plant and equipment	**(19,906)**	(3,694)
Deposit for land use rights	**(13,574)**	(11,430)
Deposit for property, plant and equipment	**–**	(16,311)
Acquisition of a subsidiary	**153**	(928)
Additions to intangible assets	**(2,906)**	(37)
Acquisition of cemetery assets use rights	**–**	(266)
Net cash used in investing activities	**(36,233)**	(32,666)

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated) (Note 3)
Financing activities		
Proceeds from rights issue, net of issuance costs	**50,074**	–
Injection of capital from non-controlling interests	**–**	16,291
Proceeds from issue of convertible bonds	**–**	97,175
Proceeds from exercise of share options, net of issuance costs	**–**	672
Repayment of other borrowings	**(1,229)**	(25,611)
Net cash generated from financing activities	**48,845**	88,527
Net (decrease)/increase in cash and cash equivalents	**(22,773)**	27,812
Cash and cash equivalents at beginning of the year/period	**33,949**	5,971
Effects of foreign exchange rate changes, net	**369**	166
Cash and cash equivalents at end of the year/period	**11,545**	33,949

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

Sage International 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 Companies Law of the Bermuda.

The Company's shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 November 2001. The registered office is Clarendon House, 2 Church Street, Hamilton HM11 Bermuda and its principal place of business is 32/F, Sunshine Plaza, 353 Lockhart Road, Wan Chai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 21 to the consolidated financial statements.

These financial statements are presented in Hong Kong dollars which is the functional currency of the Company. These financial statements have been approved for issue by the Board of Directors on 11 April 2013.

2. ADOPTION OF NEW AND REVISED HKFRSs

The adoption of amendments to existing standards

In the current year, the Company and its subsidiaries (together, the "Group") have applied, for the first time, the amended standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are applicable to the Group's financial statements beginning on 1 January 2012. The adoption of these amendments does not have significant impact to the results and financial position of the Group.

2. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

New standards, amendments and interpretations to existing standards that have been issued but are not yet effective for the financial year beginning 1 January 2012 and that have not been early adopted

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Financial statements presentation	1 July 2012
HKAS 19 (revised 2011)	Employee benefits	1 January 2013
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (revised 2011)	Associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation	1 January 2014
HK (IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKFRS 1 (Amendment)	Government loans	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures	1 January 2013
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated financial statements, Joint arrangements and Disclosure of interests in other entities: Transition guidance	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
Annual improvements project	Annual improvements 2009-2011 cycle	1 January 2013

The Group has assessed the impact of adopting HKFRS 10 – Consolidated financial statements ("HKFRS 10") and HKFRS 11 – Joint arrangements ("HKFRS 11"). It has concluded that the adoption of HKFRS 10 does not have material impact on its results of the operation and financial position and the adoption of HKFRS 11 will result in equity accounting of the jointly-controlled entity of the Group. Proportionate consolidation of the jointly-controlled entity will not be allowed.

The Group has already commenced an assessment of the related impact of adopting the other new standards, amendments and interpretations to existing standards but it is not yet in a position to state whether they will have a significant impact on its results of operations and financial position. The Group plans to adopt these new standards, amendments and interpretations to existing standards when they become mandatory.

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS

In preparing the Group's consolidated financial statements for the year ended 31 December 2012, management has revisited the accounting treatments for certain transactions entered into by the Group in previous years and concluded that adjustments are required to be made to the comparative information presented so as to ensure that the consolidated financial statements presented are in compliance with HKFRS. A detailed description of the nature of each prior year error is provided in notes 3(a) to 3(j) below. The amounts of the prior year correction for each financial statement line item affected are presented in the tables in note 3(k)(i) to note 3(k)(vii) below.

(a) Adjustments in relation to the acquisition of Era Investment (Holding) Inc. ("EIHI")

On 26 October 2010, the Group acquired 50% equity interest in EIHI which was holding a 90% investment in the registered capital of Suzhou Celebrities Cemetery Industry Co., Limited with profit sharing ratio of 75%.

(i) Fair value measurement related to the issuance of two convertible bonds for the acquisition on 26 October 2010

With respect to the acquisition, the total consideration of HK$107,650,000 that settled by the Group by means of cash of HK$40,000,000, a convertible bond with a face value of HK$36,900,000 ("CB 2.1") and another convertible bond with a face value of HK$30,750,000 ("CB 2.2"). Previously, the Group applied the fair values of these convertible bonds which equaled to their face values as the purchase price consideration. Based on a reassessment performed, the fair values of these convertible bonds were HK$62,486,000 and HK$52,000,000, respectively. The resulting increase in the purchase price consideration of HK$46,836,000 has a corresponding effect to the determination of the amount of goodwill in connection with this acquisition as set out in note 3(a)(ii).

Based on the reassessment performed, the liability component of CB 2.1 and CB 2.2 changed from HK$33,348,000 and HK$26,335,000 to HK$33,602,000 and HK$26,152,000, respectively. The Group also recognised a separate derivative asset of HK$2,761,000. There was also an impact on the subsequent amortised cost of the liability component of these convertible bonds resulting in immaterial effects to the accrued interest of these convertible bonds and the carrying amount of the convertible bonds as at 31 December 2011 and 1 April 2011 and the finance costs for the period ended 31 December 2011.

Furthermore, due to the increase in the purchase price consideration and the changes in the liability component of these convertible bonds, the Group's and the Company's equity also increased by HK$49,356,000 and HK$48,229,000 as at 31 December 2011 and 1 April 2011, respectively.

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(a) Adjustments in relation to the acquisition of Era Investment (Holding) Inc. ("EIHI") *(Continued)*

(ii) Recognition and measurement of identifiable intangible assets acquired in connection with the EIHI acquisition and the corresponding deferred tax impact at the date of acquisition

Previously, the Group recognised goodwill of HK$117,682,000 in connection with this acquisition based on the difference between the consideration of HK$107,650,000 as set out in note 3(a)(i) and the proportionate share of the net asset value as per the management accounts of EIHI as at 26 October 2010. In accordance with HKFRS 3(R), the Group conducted a business valuation pursuant to which the Group increased the purchase price consideration of HK$46,836,000 as set out in note 3(a)(i) and recognised, separately from goodwill, intangible assets identified related to this acquisition. Based on the valuation performed, the Group identified the following adjustments on intangible assets at the date of acquisition:

(i) Increase in the carrying value of cemetery assets use rights of HK$270,788,000.

(ii) Increase in the carrying value of an operating right to manage a cemetery of HK$5,099,000.

In addition, the Group also recognised the following items:

(i) Increase in the carrying value of deferred income tax liabilities of HK$69,492,000.

(ii) Increase in the carrying value of non-controlling interests of HK$53,391,000.

(iii) Increase in the carrying value of deferred income tax assets of HK$5,103,000.

As a result of the recognition of the aforementioned items, goodwill was reduced to HK$6,411,000. Furthermore, with the consideration of the exchange realignment affecting the respective items, the net effects on the consolidated financial statements for the respective accounting periods are as follows:

(i) Reclassification of the allocated land use rights for cemetery from prepaid land lease payment to cemetery assets use rights with amounts of HK$447,000 and HK$2,064,000 as at 31 December 2011 and 1 April 2011, respectively.

(ii) A decrease in intangible assets, including goodwill of HK$152,441,000 and HK$152,801,000 as at 31 December 2011 and 1 April 2011, respectively.

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(a) Adjustments in relation to the acquisition of Era Investment (Holding) Inc. ("EIHI") *(Continued)*

(ii) Recognition and measurement of identifiable intangible assets acquired in connection with the EIHI acquisition and the corresponding deferred tax impact at the date of acquisition *(Continued)*

(iii) An increase in cemetery assets use rights of HK$225,115,000 and HK$218,408,000 as at 31 December 2011 and 1 April 2011, respectively.

(iv) An increase in deferred income tax assets of HK$5,355,000 and HK$5,195,000 as at 31 December 2011 and 1 April 2011, respectively. The corresponding impact of deferred income tax assets during the period ended 31 December 2011 was set out in note 3(a)(iii).

(v) An increase in inventories of HK$59,067,000 and HK$59,359,000 as at 31 December 2011 and 1 April 2011, respectively. The corresponding impact of the derecognition of cemetery assets use rights classified as inventories and the reclassification from administrative expenses to cost of sales during the period ended 31 December 2011 was set out in note 3(a)(iii).

(vi) An increase in deferred income tax liabilities of HK$72,792,000 and HK$70,744,000 as at 31 December 2011 and 1 April 2011, respectively. The corresponding impact of deferred income tax liabilities during the period ended 31 December 2011 was set out in note 3(a)(iii).

(vii) An increase in exchange reserve of HK$8,959,000 and HK$3,962,000 as at 31 December 2011 and 1 April 2011, respectively.

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(a) Adjustments in relation to the acquisition of Era Investment (Holding) Inc. ("EIHI") *(Continued)*

(iii) Additional amortisation charge arising from the recognition of the operating right

Cemetery assets use rights classified as inventories should be derecognised in accordance with the ground burial rights sold. Operating right related to the management of a cemetery with indefinite life should be tested for impairment annually. The recognition of the fair value of the operating right and deferred income tax liability and the reclassification from administrative expenses to cost of sales with the consideration of the exchange realignment of the respective items as set out in note 3(a)(ii) have resulted in the following impacts:

(i) An increase in amortisation charges recorded in cost of sales of HK$1,870,000 for the period ended 31 December 2011.

(ii) A reclassification from administrative expenses to cost of sales amounting to HK$144,000 during the period ended 31 December 2011.

(iii) An increase in income tax credit of HK$504,000 for the period ended 31 December 2011.

The effects of the above adjustments on the consolidated financial statements are summarised in note 3(k).

(b) Adjustments in relation to the acquisition of Luck Point Investments Limited ("LPIL")

On 27 January 2011, the Group acquired 100% equity interest in LPIL which was holding a 100% investment in the registered capital of Huai Ji Luck Mountain Funeral Parlor Limited with profit sharing ratio of 70%.

(i) Recognition and measurement of identifiable intangible assets acquired in connection with the LPIL acquisition and the corresponding deferred tax impact at the date of acquisition

Previously, the Group recognised goodwill of HK$9,125,000 in connection with this acquisition based on the difference between the consideration paid and the net asset value as per the management accounts of LPIL as at 27 January 2011. In accordance with HKFRS 3(R), the Group conducted a business valuation pursuant to which the Group recognised an option granted to one of the selling shareholder of HK$19,000 as part of the purchase price consideration and recognised, separately from goodwill, intangible assets identified related to this acquisition. Based on the valuation performed, the Group identified the following adjustments on intangible assets:

(i) Increase in the carrying value of cemetery assets use rights of HK$11,013,000.

(ii) Increase in the carrying value of an operating right to manage a cemetery of HK$197,000.

(iii) Increase in the carrying value of an operating right to provide crematory services of HK$9,505,000.

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(b) Adjustments in relation to the acquisition of Luck Point Investments Limited ("LPIL") *(Continued)*

(i) Recognition and measurement of identifiable intangible assets acquired in connection with the LPIL acquisition and the corresponding deferred tax impact at the date of acquisition (Continued)

In addition, the Group also recognised the following items:

(i) Increase in the carrying value of deferred income tax liabilities of HK$5,179,000.

(ii) Increase in the carrying value of non-controlling interests of HK$5,238,000.

(iii) Increase in the carrying value of deferred income tax assets of HK$445,000.

As a result of the recognition of the aforementioned items, the goodwill changed to negative goodwill of HK$1,599,000. Furthermore, with the consideration of the exchange realignment affecting the respective items, the net effects on the consolidated financial statements for the respective accounting periods are as follows:

(i) An increase in intangible assets of HK$912,000 and HK$614,000 as at 31 December 2011 and 1 April 2011, respectively.

(ii) An increase in deferred income tax assets of HK$463,000 and HK$457,000 as at 31 December 2011 and 1 April 2011, respectively.

(iii) An increase in inventories of HK$11,393,000 and HK$11,053,000 as at 31 December 2011 and 1 April 2011, respectively.

(iv) An increase in deferred income tax liabilities of HK$5,357,000 and HK$5,198,000 as at 31 December 2011 and 1 April 2011, respectively.

(v) An increase in exchange reserve of HK$335,000 and HK$68,000 as at 31 December 2011 and 1 April 2011, respectively.

The effects of the above adjustments on the consolidated financial statements are summarised in note 3(k).

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(c) Recognition and fair value measurement of the issuance of a convertible bond on 23 June 2010 ("CB 1")

On 23 June 2010, the Company issued CB 1 with principal amount of HK$20,000,000 to New Brilliant Investments Limited, which is wholly-owned by Mr. Chui Bing Sun ("Mr. Chui"), chairman, a director and a shareholder of the Company, and recorded a liability component thereon of HK$16,969,000 with an effective interest rate of 5.00% per annum. Based on a reassessment performed, the Group determined the fair value of CB 1 to be HK$37,200,000 and the liability component to be HK$15,411,000. The difference between the principal amount and the fair value of CB 1 amounting to HK$17,200,000 has been recorded as 'share-based payment arising from the issue of convertible bonds'. The conversion price of CB 1 represents approximately a 42.86% discount of the Company's share price at the day of issue. The conversion option of CB 1 provides a benefit to Mr. Chui in return for a long-term financing to the Group and new business opportunities. Management considers it is appropriate to account for this transaction based on HKFRS 2 – Share-based Payment ("HKFRS 2"). There was also an impact on the subsequent measurement of the liability component of CB 1 which was treated as a cash-settled transaction with a decreasing finance cost of HK$426,000 and an increasing fair value loss of HK$692,000 for the period ended 31 December 2011. The net impact to the Group's and the Company's convertible bonds and equity were HK$706,000 and HK$439,000 as at 31 December 2011 and 1 April 2011, respectively. The effects of the above adjustments on the consolidated financial statements are summarised in note 3(k).

(d) Recognition and fair value measurement of the issuance of a convertible bond on 23 May 2011 ("CB 3")

On 23 May 2011, the Company issued CB 3 with principal amount of US$12,500,000 (equivalent to HK$97,174,000) to AXA Direct Asia II, L.P. ("AXA"), an independent third party and recorded a liability and equity component thereon of HK$51,998,000 and HK$45,176,000, respectively. Furthermore, the Company did not amount for the redemption option embedded in the CB 3. Based on a reassessment performed, the Group determined the fair value of CB 3 to be US$31,517,000 (equivalent to HK$245,013,000) with the liability component to be US$7,540,000 (equivalent to HK$58,616,000) which included a closely-related embedded derivative. The conversion price of CB 3 represents approximately a 59.64% discount of the Company's share price at the day of issue. The conversion option provides a benefit to AXA in return for an interest free long-term financing and future services to the Group. Accordingly, management considers it is appropriate to account for this transaction based on HKFRS 2. The difference between the principal amount and the fair value of CB 3 amounting to US$19,017,000 (equivalent to HK$147,839,000) was recorded as 'share-based payment arising from the issue of convertible bonds' for the period ended 31 December 2011. There was also an impact on the subsequent measurement of the liability component of CB 3 which was treated as a cash-settled transaction with a decreasing finance cost of HK$4,107,000 and an increasing fair value gain of HK$1,005,000 for the period ended 31 December 2011. The net impact to the Group's and the Company's convertible bonds and equity were HK$1,503,000 as at 31 December 2011. The effects of the above adjustments on the consolidated financial statements are summarised in note 3(k).

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(e) Reclassification of deposits for land use rights and property, plant and equipment as non-current assets

As at 31 December 2011, the Group classified deposits of HK$11,430,000 for land use rights and HK$16,311,000 for property, plant and equipment as current assets. In accordance with HKAS 1 – Presentation of Financial Statements ("HKAS 1"), such deposits should be considered as a non-current asset in view of that the deposits were for the purposes of obtaining long term assets – land use rights and property, plant and equipment which do not meet the current asset classification. The effects of the above adjustments on the consolidated financial statements are summarised in note 3(k).

(f) Reclassification of certain payables as non-current liabilities

As at 31 December 2011 and 1 April 2011, certain of the Group's payables amounting to Renminbi ("RMB") 1,250,000 (equivalent to HK$1,527,000) and RMB1,400,000 (equivalent to HK$1,660,000), which had repayment terms of more than one year after the respective reporting periods, were entirely classified as current liabilities. As the Group has the right to defer payment for part of the payables for more than one year from respective reporting dates, such payables have been reclassified in accordance with the repayment terms in accordance with HKAS 1. As at 31 December 2011 and 1 April 2011, this adjustment resulted in a decrease in the current liabilities portion of these payables by HK$1,437,000 and HK$1,577,000, respectively, with a corresponding increase in non-current liabilities portion of these payables. The effects of the above adjustments on the consolidated financial statements are summarised in note 3(k).

(g) Reclassification of certain receivables and payables

As at 31 December 2011 and 1 April 2011, certain of the Group's receivables and payables from/to a shareholder of a joint venture were offset and the net amount was reported in the consolidated statement of financial position under amount due from a jointly-controlled entity. However, in accordance with HKAS 32 – Financial Instruments: Presentation, the Group should record the receivables and payables separately. Accordingly, as at 31 December 2011 and 1 April 2011, this adjustment resulted in an increase in both the amount due from a jointly-controlled entity and the amount due to a shareholder of a joint venture by HK$5,063,000. The effects of the above adjustments on the consolidated financial statements are summarised in note 3(k).

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(h) Reclassification of injections of capital contribution from non-controlling interests as a financing cash flow

During the period ended 31 December 2011, the Group classified injections of capital from non-controlling interests of HK$16,291,000 as investing activities on the consolidated statement of cash flows. To comply with HKAS 7 – Statements of cash flows ("HKAS 7"), injections of capital from non-controlling interests was reclassified as financing activities on the consolidated statement of cash flows. The effects of the above adjustments on the consolidated financial statements are summarised in note 3(k).

(i) Reclassification of certain deposits for land use rights and property, plant and equipment as an investing cash flow

During the period ended 31 December 2011, the Group classified certain deposits for land use rights and property, plant and equipment totaling HK$11,430,000 and HK$16,311,000, respectively, as operating activities on the consolidated statement of cash flows. To comply with HKAS 7, these deposits were reclassified as investing activities on the consolidated statement of cash flows in the view of that these deposits were for the purposes of obtaining long term assets. The effects of the above adjustments on the consolidated financial statements are summarised in note 3(k).

(j) Fair value measurement and amortisation of warrant shares and share options expenses

During the period ended 31 December 2011, the Company granted certain warrant shares and share options to the Group's employees, consultants and an agent. The assumptions used in determining the fair value of the warrant shares and share options were not consistently applied in accordance with the terms of the share-based arrangements. Additionally, the warrant shares granted to an agent on 14 July 2011 are a tranched vesting but the Company had amortised the total share-based payment amount of all the warrant shares prorataly over one single vesting period. The above adjustments resulted in an increase in the share-based payment expenses related to share options and warrant shares by HK$2,440,000 and HK$1,892,000, respectively, with a corresponding increase in equity as at 31 December 2011. The effects of the above adjustments on the consolidated financial statements are summarised in note 3(k).

(k) Summary of the effects of restatements due to correction of prior year errors

The following is a summary of the effects of the restatements due to correction of prior year errors on:

(i) the Group's consolidated income statement for the period ended 31 December 2011;

(ii) the Group's consolidated statement of comprehensive income for the period ended 31 December 2011;

(iii) the Group's consolidated statement of financial position as at 31 December 2011;

(iv) the Group's consolidated statement of financial position as at 1 April 2011;

(v) the Group's consolidated statement of cash flows for the period ended 31 December 2011;

(vi) the Company's statement of financial position as at 31 December 2011; and

(vii) The Company's statement of financial position as at 1 April 2011.

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(k) Summary of the effects of restatements due to correction of prior year errors *(Continued)*

(i) Effect of error correction on the Group's consolidated income statement for the period ended 31 December 2011

	As previously reported HK$'000	Note 3(a)(i) HK$'000	Note 3(a)(ii) HK$'000	Note 3(a)(iii) HK$'000	Note 3(b)(i) HK$'000	Note 3(c) HK$'000	Note 3(d) HK$'000	Note 3(e) HK$'000	Note 3(f) HK$'000	Note 3(g) HK$'000	Note 3(h) HK$'000	Note 3(i) HK$'000	Note 3(j) HK$'000	As restated HK$'000
Continuing operations														
Revenue	7,132	–	–	–	–	–	–	–	–	–	–	–	–	7,132
Cost of sales	(1,176)	–	–	(2,014)	–	–	–	–	–	–	–	–	–	(3,190)
Gross profit	5,956	–	–	(2,014)	–	–	–	–	–	–	–	–	–	3,942
Other income	716	–	–	–	–	–	–	–	–	–	–	–	–	716
Other (losses)/gains, net	117	1,159	–	–	–	(692)	1,005	–	–	–	–	–	–	1,589
Sales and marketing expenses	(894)	–	–	–	–	–	–	–	–	–	–	–	–	(894)
Administrative expenses														
– Share-based payment	(3,769)	–	–	–	–	–	–	–	–	–	–	–	(4,332)	(8,101)
– Share-based payment arising from the issue of convertible bonds	–	–	–	–	–	–	(147,839)	–	–	–	–	–	–	(147,839)
– Others	(29,806)	–	–	144	–	–	–	–	–	–	–	–	–	(29,662)
Operating loss	(27,680)	1,159	–	(1,870)	–	(692)	(146,834)	–	–	–	–	–	(4,332)	(180,249)
Finance income	295	–	–	–	–	–	–	–	–	–	–	–	–	295
Finance costs	(8,023)	(32)	–	–	–	426	4,107	–	–	–	–	–	–	(3,522)
Loss before taxation	(35,408)	1,127	–	(1,870)	–	(266)	(142,727)	–	–	–	–	–	(4,332)	(183,476)
Income tax credit	–	–	–	504	–	–	–	–	–	–	–	–	–	504
Loss for the period from continuing operations	(35,408)	1,127	–	(1,366)	–	(266)	(142,727)	–	–	–	–	–	(4,332)	(182,972)
Discontinued operation														
Loss for the period from a discontinued operation	(7)	–	–	–	–	–	–	–	–	–	–	–	–	(7)
Loss for the period	(35,415)	1,127	–	(1,366)	–	(266)	(142,727)	–	–	–	–	–	(4,332)	(182,979)
Loss attributable to:														
Owners of the Company	(35,163)	1,127	–	(1,025)	–	(266)	(142,727)	–	–	–	–	–	(4,332)	(182,386)
Non-controlling interests	(252)	–	–	(341)	–	–	–	–	–	–	–	–	–	(593)
	(35,415)	1,127	–	(1,366)	–	(266)	(142,727)	–	–	–	–	–	(4,332)	(182,979)
Loss per share attributable to owners of the Company during the period (expressed in HK$ per share)														
Basic														
– From continuing operations	HK$(0.033)	HK$0.001	–	HK$(0.001)	–	–	HK$(0.134)	–	–	–	–	–	HK$(0.004)	HK$(0.171)
– From a discontinued operation	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Diluted														
– From continuing operations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
– From a discontinued operation	–	–	–	–	–	–	–	–	–	–	–	–	–	–

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(k) Summary of the effects of restatements due to correction of prior year errors *(Continued)*

(ii) Effect of error correction on the Group's consolidated statement of comprehensive income for the period ended 31 December 2011

	As previously reported HK$'000	Note 3(a)(i) HK$'000	Note 3(a)(ii) HK$'000	Note 3(a)(iii) HK$'000	Note 3(b)(i) HK$'000	Note 3(c) HK$'000	Note 3(d) HK$'000	Note 3(e) HK$'000	Note 3(f) HK$'000	Note 3(g) HK$'000	Note 3(h) HK$'000	Note 3(i) HK$'000	Note 3(j) HK$'000	As restated HK$'000
Loss for the period	(35,415)	1,127	–	(1,366)	–	(266)	(142,727)	–	–	–	–	–	(4,332)	(182,979)
Other comprehensive income:														
Exchange difference on translation of foreign operations	(476)	–	6,504	–	485	–	–	–	–	–	–	–	–	6,513
Total comprehensive loss for the period	(35,891)	1,127	6,504	(1,366)	485	(266)	(142,727)	–	–	–	–	–	(4,332)	(176,466)
Total comprehensive loss for the period attributable to:														
Owners of the Company	(35,639)	1,127	4,856	(956)	339	(266)	(142,727)	–	–	–	–	–	(4,332)	(177,598)
Non-controlling interests	(252)	–	1,648	(410)	146	–	–	–	–	–	–	–	–	1,132
	(35,891)	1,127	6,504	(1,366)	485	(266)	(142,727)	–	–	–	–	–	(4,332)	(176,466)

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(k) Summary of the effects of restatements due to correction of prior year errors *(Continued)*

(iii) Effect of error correction on the Group's consolidated statement of financial position as at 31 December 2011

	As previously reported HK$'000	Note 3(a)(i) HK$'000	Note 3(a)(ii) HK$'000	Note 3(a)(iii) HK$'000	Note 3(b)(i) HK$'000	Note 3(c) HK$'000	Note 3(d) HK$'000	Note 3(e) HK$'000	Note 3(f) HK$'000	Note 3(g) HK$'000	Note 3(h) HK$'000	Note 3(i) HK$'000	Note 3(j) HK$'000	As restated HK$'000
Assets														
Non-current assets														
Property, plant and equipment	16,557	–	–	–	–	–	–	–	–	–	–	–	–	16,557
Prepaid land lease payments	447	–	(447)	–	–	–	–	–	–	–	–	–	–	–
Intangible assets	127,240	46,836	(152,441)	–	912	–	–	–	–	–	–	–	–	22,547
Cemetery assets use rights	–	–	225,115	–	–	–	–	–	–	–	–	–	–	225,115
Deposits for non-current assets	–	–	–	–	–	–	–	27,741	–	–	–	–	–	27,741
	144,244	46,836	72,227	–	912	–	–	27,741	–	–	–	–	–	291,960
Current assets														
Inventories	4,612	–	59,067	(2,938)	11,393	–	–	–	–	–	–	–	–	72,134
Prepayments, deposits and other receivables	29,411	–	–	–	–	–	–	(27,741)	–	–	–	–	–	1,670
Balances with a jointly-controlled entity	7,266	–	–	–	–	–	–	–	–	5,063				12,329
Derivative financial instrument	–	2,461	–	–	–	–	–	–	–	–	–	–	–	2,461
Cash and cash equivalents	33,949	–	–	–	–	–	–	–	–	–	–	–	–	33,949
	75,238	2,461	59,067	(2,938)	11,393	–	–	(27,741)	–	5,063	–	–	–	122,543
Liabilities														
Current liabilities														
Trade payables	502	–	–	–	–	–	–	–	–	–	–	–	–	502
Loan from a non-controlling interest	1,222	–	–	–	–	–	–	–	–	–	–	–	–	1,222
Other payables and accruals	8,478	3	–	–	–	–	–	–	(1,437)	5,063	–	–	–	12,107
Income tax payable	5	–	–	–	–	–	–	–	–	–	–	–	–	5
Other borrowings	1,222	–	–	–	–	–	–	–	–	–	–	–	–	1,222
Convertible bonds	28,910	(62)	–	–	–	–	–	–	–	–	–	–	–	28,848
	40,339	(59)	–	–	–	–	–	–	(1,437)	5,063	–	–	–	43,906
Net current assets/(liabilities)	34,899	2,520	59,067	(2,938)	11,393	–	–	(27,741)	1,437	–	–	–	–	78,637
Total assets less current liabilities	179,143	49,356	131,294	(2,938)	12,305	–	–	–	1,437	–	–	–	–	370,597
Non-current liabilities														
Other payables and accruals	–	–	–	–	–	–	–	–	1,437	–	–	–	–	1,437
Deferred income tax liabilities	–	–	67,437	(775)	4,894	–	–	–	–	–	–	–	–	71,556
Other borrowings	14,715	–	–	–	–	–	–	–	–	–	–	–	–	14,715
Convertible bonds	73,922	–	–	–	–	706	1,503	–	–	–	–	–	–	76,131
	88,637	–	67,437	(775)	4,894	706	1,503	–	1,437	–	–	–	–	163,839
Net assets/(liabilities)	90,506	49,356	63,857	(2,163)	7,411	(706)	(1,503)	–	–	–	–	–	–	206,758

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(k) Summary of the effects of restatements due to correction of prior year errors *(Continued)*

(iii) Effect of error correction on the Group's consolidated statement of financial position as at 31 December 2011 *(Continued)*

	As previously reported HK$'000	Note 3(a)(i) HK$'000	Note 3(a)(ii) HK$'000	Note 3(a)(iii) HK$'000	Note 3(b)(i) HK$'000	Note 3(c) HK$'000	Note 3(d) HK$'000	Note 3(e) HK$'000	Note 3(f) HK$'000	Note 3(g) HK$'000	Note 3(h) HK$'000	Note 3(i) HK$'000	Note 3(j) HK$'000	As restated HK$'000
Equity														
Capital and reserves														
Share capital	2,530	–	–	–	–	–	–	–	–	–	–	–	–	2,530
Reserves	78,703	49,356	9,500	(2,163)	1,954	(706)	(1,503)	–	–	–	–	–	–	135,141
Equity attributable to owners of the Company	81,233	49,356	9,500	(2,163)	1,954	(706)	(1,503)	–	–	–	–	–	–	137,671
Non-controlling interests	9,273	–	54,357	–	5,457	–	–	–	–	–	–	–	–	69,087
	90,506	49,356	63,857	(2,163)	7,411	(706)	(1,503)	–	–	–	–	–	–	206,758

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(k) Summary of the effects of restatements due to correction of prior year errors *(Continued)*

(iv) Effect of error correction on the Group's consolidated statement of financial position as at 1 April 2011

	As previously reported HK$'000	Note 3(a)(i) HK$'000	Note 3(a)(ii) HK$'000	Note 3(a)(iii) HK$'000	Note 3(b)(i) HK$'000	Note 3(c) HK$'000	Note 3(d) HK$'000	Note 3(e) HK$'000	Note 3(f) HK$'000	Note 3(g) HK$'000	Note 3(h) HK$'000	Note 3(i) HK$'000	Note 3(j) HK$'000	As restated HK$'000
Assets														
Non-current assets														
Property, plant and equipment	14,110	–	–	–	–	–	–	–	–	–	–	–	–	14,110
Prepaid land lease payments	2,064	–	(2,064)	–	–	–	–	–	–	–	–	–	–	–
Intangible assets	126,807	46,836	(152,801)	–	614	–	–	–	–	–	–	–	–	21,456
Cemetery assets use rights	–	–	218,408	–	–	–	–	–	–	–	–	–	–	218,408
	142,981	46,836	63,543	–	614	–	–	–	–	–	–	–	–	253,974
Current assets														
Inventories	2,434	–	59,359	(1,068)	11,053	–	–	–	–	–	–	–	–	71,778
Prepayments, deposits and other receivables	4,311	–	–	–	–	–	–	–	–	–	–	–	–	4,311
Balances with a jointly-controlled entity	3,000	–	–	–	–	–	–	–	–	5,063	–	–	–	8,063
Derivative financial instrument	–	1,302	–	–	–	–	–	–	–	–	–	–	–	1,302
Cash and cash equivalents	5,971	–	–	–	–	–	–	–	–	–	–	–	–	5,971
	15,716	1,302	59,359	(1,068)	11,053	–	–	–	–	5,063	–	–	–	91,425
Liabilities														
Current liabilities														
Trade payables	733	–	–	–	–	–	–	–	–	–	–	–	–	733
Loan from a non-controlling interest	1,185	–	–	–	–	–	–	–	–	–	–	–	–	1,185
Other payables and accruals	11,286	3	–	–	–	–	–	–	(1,577)	5,063	–	–	–	14,775
Income tax payable	5	–	–	–	–	–	–	–	–	–	–	–	–	5
Other borrowings	25,593	–	–	–	–	–	–	–	–	–	–	–	–	25,593
	38,802	3	–	–	–	–	–	–	(1,577)	5,063	–	–	–	42,291
Net current (liabilities)/assets	(23,086)	1,299	59,359	(1,068)	11,053	–	–	–	1,577	–	–	–	–	49,134
Total assets less current liabilities	119,895	48,135	122,902	(1,068)	11,667	–	–	–	1,577	–	–	–	–	303,108
Non-current liabilities														
Other payables and accruals	–	–	–	–	–	–	–	–	1,577	–	–	–	–	1,577
Deferred income tax liabilities	–	–	65,549	(271)	4,741	–	–	–	–	–	–	–	–	70,019
Other borrowings	14,810	–	–	–	–	–	–	–	–	–	–	–	–	14,810
Convertible bonds	44,597	(94)	–	–	–	439	–	–	–	–	–	–	–	44,942
	59,407	(94)	65,549	(271)	4,741	439	–	–	1,577	–	–	–	–	131,348
Net assets	60,488	48,229	57,353	(797)	6,926	(439)	–	–	–	–	–	–	–	171,760

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(k) Summary of the effects of restatements due to correction of prior year errors *(Continued)*

(iv) Effect of error correction on the Group's consolidated statement of financial position as at 1 April 2011 (Continued)

	As previously reported HK$'000	Note 3(a)(i) HK$'000	Note 3(a)(ii) HK$'000	Note 3(a)(iii) HK$'000	Note 3(b)(i) HK$'000	Note 3(c) HK$'000	Note 3(d) HK$'000	Note 3(e) HK$'000	Note 3(f) HK$'000	Note 3(g) HK$'000	Note 3(h) HK$'000	Note 3(i) HK$'000	Note 3(j) HK$'000	As restated HK$'000
Equity														
Capital and reserves														
Share capital	2,522	–	–	–	–	–	–	–	–	–	–	–	–	2,522
Reserves	64,732	48,229	4,162	(797)	1,687	(439)	–	–	–	–	–	–	–	117,574
Equity attributable to owners of the Company	67,254	48,229	4,162	(797)	1,687	(439)	–	–	–	–	–	–	–	120,096
Non-controlling interests	(6,766)	–	53,191	–	5,239	–	–	–	–	–	–	–	–	51,664
	60,488	48,229	57,353	(797)	6,926	(439)	–	–	–	–	–	–	–	171,760

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(k) Summary of the effects of restatements due to correction of prior year errors *(Continued)*

(v) Effect of error correction on the Group's consolidated statement of cash flows for the period ended 31 December 2011

	As previously reported HK$'000	Note 3(a)(i) HK$'000	Note 3(a)(ii) HK$'000	Note 3(a)(iii) HK$'000	Note 3(b)(i) HK$'000	Note 3(c) HK$'000	Note 3(d) HK$'000	Note 3(e) HK$'000	Note 3(f) HK$'000	Note 3(g) HK$'000	Note 3(h) HK$'000	Note 3(i) HK$'000	Note 3(j) HK$'000	As restated HK$'000
Operating activities														
Loss before taxation:	(35,415)	1,127	–	(1,870)	–	(266)	(142,727)	–	–	–	–	–	(4,332)	(183,483)
Adjustments for:														
Depreciation of property, plant and equipment	1,397	–	–	–	–	–	–	–	–	–	–	–	–	1,397
Share-based payment arising from the issue of convertible bond	–	–	–	–	–	–	147,839	–	–	–	–	–	–	147,839
Fair value change on financial instruments	–	(1,159)	–	–	–	692	(1,005)	–	–	–	–	–	–	(1,472)
Equity-settled share options expenses	1,728	–	–	–	–	–	–	–	–	–	–	–	2,440	4,168
Equity-settled warrant shares expenses	2,041	–	–	–	–	–	–	–	–	–	–	–	1,892	3,933
Loss on disposal of property, plant and equipment	629	–	–	–	–	–	–	–	–	–	–	–	–	629
Finance costs	6,904	32	–	–	–	(426)	(4,107)	–	–	–	–	–	–	2,403
	(22,716)	–	–	(1,870)	–	–	–	–	–	–	–	–	–	(24,586)
Operating cash flows before movements in working capital	(22,716)	–	–	(1,870)	–	–	–	–	–	–	–	–	–	(24,586)
Decrease/(increase) in inventories	(112)	–	–	–	–	–	–	–	–	–	–	–	–	(112)
Amortisation on cemetery assets use rights	22	–	–	1,870	–	–	–	–	–	–	–	–	–	1,892
Increase in prepayments, deposits and other receivables	(25,075)	–	–	–	–	–	–	–	–	–	–	27,741	–	2,666
Increase in balances with a jointly-controlled entity	(4,266)	–	–	–	–	–	–	–	–	–	–	–	–	(4,266)
Decrease in trade payables	(231)	–	–	–	–	–	–	–	–	–	–	–	–	(231)
(Decrease)/increase in other payables and accruals	(3,412)	–	–	–	–	–	–	–	–	–	–	–	–	(3,412)
Cash used in operations	(55,790)	–	–	–	–	–	–	–	–	–	–	27,741	–	(28,049)
Interest paid	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Net cash (used in)/generated from operating activities	(55,790)	–	–	–	–	–	–	–	–	–	–	27,741	–	(28,049)
Investing activities														
Purchase of property, plant and equipment	(3,694)	–	–	–	–	–	–	–	–	–	–	–	–	(3,694)
Deposits for land use rights	–	–	–	–	–	–	–	–	–	–	–	(16,311)	–	(16,311)
Deposits for property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	(11,430)	–	(11,430)
Acquisition of a subsidiary	(928)	–	–	–	–	–	–	–	–	–	–	–	–	(928)
Injection of capital from non-controlling interests	16,291	–	–	–	–	–	–	–	–	–	(16,291)	–	–	–
Additions to intangible assets	(37)	–	–	–	–	–	–	–	–	–	–	–	–	(37)
Acquisition of land use rights	(266)	–	–	–	–	–	–	–	–	–	–	–	–	(266)
Net cash generated from/(used in) investing activities	11,366	–	–	–	–	–	–	–	–	–	(16,291)	(27,741)	–	(32,666)

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(k) Summary of the effects of restatements due to correction of prior year errors *(Continued)*

(v) Effect of error correction on the Group's consolidated statement of cash flows for the period ended 31 December 2011 *(Continued)*

	As previously reported HK$'000	Note 3(a)(i) HK$'000	Note 3(a)(ii) HK$'000	Note 3(a)(iii) HK$'000	Note 3(b)(i) HK$'000	Note 3(c) HK$'000	Note 3(d) HK$'000	Note 3(e) HK$'000	Note 3(f) HK$'000	Note 3(g) HK$'000	Note 3(h) HK$'000	Note 3(i) HK$'000	Note 3(j) HK$'000	As restated HK$'000
Financing activities														
Injection of capital from non-controlling interests	–	–	–	–	–	–	–	–	–	–	16,291	–	–	16,291
Proceeds from issue of convertible bonds	97,175	–	–	–	–	–	–	–	–	–	–	–	–	97,175
Proceeds from exercise of share options, net of issuance costs	672	–	–	–	–	–	–	–	–	–	–	–	–	672
Repayment of other borrowings	(25,611)	–	–	–	–	–	–	–	–	–	–	–	–	(25,611)
Net cash generated from financing activities	72,236	–	–	–	–	–	–	–	–	–	16,291	–	–	88,527
Net increase in cash and cash equivalents	27,812	–	–	–	–	–	–	–	–	–	–	–	–	27,812
Cash and cash equivalents at beginning of the period	5,971	–	–	–	–	–	–	–	–	–	–	–	–	5,971
Effects of foreign exchange rate changes, net	166	–	–	–	–	–	–	–	–	–	–	–	–	166
Cash and cash equivalents at end of the period	33,949	–	–	–	–	–	–	–	–	–	–	–	–	33,949

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(k) Summary of the effects of restatements due to correction of prior year errors *(Continued)*

(vi) Effect of error correction on the Company's statement of financial position as at 31 December 2011

	As previously reported HK$'000	Note 3(a)(i) HK$'000	Note 3(a)(ii) HK$'000	Note 3(a)(iii) HK$'000	Note 3(b)(i) HK$'000	Note 3(c) HK$'000	Note 3(d) HK$'000	Note 3(e) HK$'000	Note 3(f) HK$'000	Note 3(g) HK$'000	Note 3(h) HK$'000	Note 3(i) HK$'000	Note 3(j) HK$'000	As restated HK$'000
Assets														
Non-current assets														
Investments in subsidiaries	78	–	–	–	–	–	–	–	–	–	–	–	–	78
Amounts due from subsidiaries	195,538	46,836	–	–	–	–	–	–	–	–	–	–	–	242,374
	195,616	46,836	–	–	–	–	–	–	–	–	–	–	–	242,452
Current assets														
Other receivables	109	–	–	–	–	–	–	–	–	–	–	–	–	109
Derivative financial instrument	–	2,461	–	–	–	–	–	–	–	–	–	–	–	2,461
Cash and cash equivalents	16,529	–	–	–	–	–	–	–	–	–	–	–	–	16,529
	16,638	2,461	–	–	–	–	–	–	–	–	–	–	–	19,099
Liabilities														
Current liabilities														
Other payables and accruals	4,344	3	–	–	–	–	–	–	–	–	–	–	–	4,347
Amount due to a subsidiary	719	–	–	–	–	–	–	–	–	–	–	–	–	719
Convertible bonds	28,910	(62)	–	–	–	–	–	–	–	–	–	–	–	28,848
	33,973	(59)	–	–	–	–	–	–	–	–	–	–	–	33,914
Net current (liabilities)/assets	(17,335)	2,520	–	–	–	–	–	–	–	–	–	–	–	(14,815)
Total assets less current liabilities	178,281	49,356	–	–	–	–	–	–	–	–	–	–	–	227,637
Non-current liability														
Convertible bonds	73,922	–	–	–	–	706	1,503	–	–	–	–	–	–	76,131
Net assets/(liabilities)	104,359	49,356	–	–	–	(706)	(1,503)	–	–	–	–	–	–	151,506
Equity														
Capital and reserves														
Share capital	2,530	–	–	–	–	–	–	–	–	–	–	–	–	2,530
Reserves	101,829	49,356	–	–	–	(706)	(1,503)	–	–	–	–	–	–	148,976
Total equity	104,359	49,356	–	–	–	(706)	(1,503)	–	–	–	–	–	–	151,506

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(Continued)*

(k) Summary of the effects of restatements due to correction of prior year errors *(Continued)*

(vii) Effect of error correction on the Company's statement of financial position as at 1 April 2011

	As previously reported HK$'000	Note 3(a)(i) HK$'000	Note 3(a)(ii) HK$'000	Note 3(a)(iii) HK$'000	Note 3(b)(i) HK$'000	Note 3(c) HK$'000	Note 3(d) HK$'000	Note 3(e) HK$'000	Note 3(f) HK$'000	Note 3(g) HK$'000	Note 3(h) HK$'000	Note 3(i) HK$'000	Note 3(j) HK$'000	As restated HK$'000
Assets														
Non-current assets														
Investments in subsidiaries	78	–	–	–	–	–	–	–	–	–	–	–	–	78
Amounts due from subsidiaries	147,852	46,836	–	–	–	–	–	–	–	–	–	–	–	194,688
	147,930	46,836	–	–	–	–	–	–	–	–	–	–	–	194,766
Current assets														
Other receivables	860	–	–	–	–	–	–	–	–	–	–	–	–	860
Derivative financial instrument	–	1,302	–	–	–	–	–	–	–	–	–	–	–	1,302
Cash and cash equivalents	1,448	–	–	–	–	–	–	–	–	–	–	–	–	1,448
	2,308	1,302	–	–	–	–	–	–	–	–	–	–	–	3,610
Liabilities														
Current liabilities														
Other payables and accruals	5,335	3	–	–	–	–	–	–	–	–	–	–	–	5,338
Other borrowings	25,000	–	–	–	–	–	–	–	–	–	–	–	–	25,000
Amount due to a subsidiary	58	–	–	–	–	–	–	–	–	–	–	–	–	58
	30,393	3	–	–	–	–	–	–	–	–	–	–	–	30,396
Net current liabilities	(28,085)	1,299	–	–	–	–	–	–	–	–	–	–	–	(26,786)
Total assets less current liabilities	119,845	48,135	–	–	–	–	–	–	–	–	–	–	–	167,980
Non-current liability														
Convertible bonds	44,597	(94)	–	–	–	439	–	–	–	–	–	–	–	44,942
Net assets	75,248	48,229	–	–	–	(439)	–	–	–	–	–	–	–	123,038
Equity														
Capital and reserves														
Share capital	2,522	–	–	–	–	–	–	–	–	–	–	–	–	2,522
Reserves	72,726	48,229	–	–	–	(439)	–	–	–	–	–	–	–	120,516
Total equity	75,248	48,229	–	–	–	(439)	–	–	–	–	–	–	–	123,038

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the year/period presented, unless otherwise stated.

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention except certain financial assets and financial liabilities are measured at fair value, as appropriate.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6.

The Board of Directors of the Company announced on 10 November 2011 the change of financial year end date of the Company from 31 March to 31 December with effect from 31 March 2011 to align the financial year end date of the Company with that of its principal subsidiaries which are operating in the People's Republic of China (the "PRC").

The corresponding comparative amounts shown for the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and related notes cover a nine-month period from 1 April 2011 to 31 December 2011 and therefore may not be comparable to those amounts shown for the current year.

4.2 Going concern

During the year ended 31 December 2012, the Group reported a net loss of HK$46,486,000 and has a net operating cash outflow of HK$35,385,000. As at the same date, the Company's current liabilities exceeded its current assets by HK$4,782,000. The above conditions indicate the existence of uncertainties which may cast doubt on the Group's ability to continue as a going concern. Notwithstanding the above, the consolidated financial statements are prepared on a going concern basis.

In order to improve the Group's operating performance and alleviate its liquidity risk, management is implementing measures to reduce the operating cash outflows and to raise additional financing for the Group. Apart from exercising its effort in cost control, the Group is also exploring other financing means which include negotiating with banks to secure banking facilities such that the Group can obtain further financing to meet its financial obligations. In addition, subsequent to the reporting period, the Group received a loan amounting to HK$20,000,000 from the chairman of the Company who is also one of the shareholders of the Company and the loan is repayable after one year. Although the loan can be demanded for early repayment if there is any fund raised (either in a form of debt or equity financing) by the Company for any amount of net proceeds of not less than HK$20,000,000, the fund raised by the Company must not have any conditions which require the Company to repay the fund raised within twelve months from the date of the loan agreement entered between the chairman and the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Going concern *(Continued)*

The Company's directors believe that the Group will be able to secure additional financing and successful in implementing the above-mentioned measures. The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of twelve months from the latest balance sheet date. Based on these cash flow projections, the Group will have sufficient financial resources in the coming twelve months to meet its financial obligations as and when they fall due. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

4.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries. 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 of acquisition, being the date on which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights, and are continued to be consolidated until the date that such control ceases. Furthermore, the existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. All inter-company balances, transactions, unrealised gains and losses resulting from inter-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interests even if that results in a deficit balance.

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 (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) 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, as appropriate.

4.4 Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. Investments in subsidiaries are accounted for at cost less impairment on the separate financial statements. The results of subsidiaries are accounted for to the extent of dividends received and receivable.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.5 Joint ventures

A joint venture is an entity which is set up by contractual arrangement whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement entered between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39 – Financial instruments: Recognition and measurement ("HKAS 39"), if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

4.6 Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in its jointly-controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary or a jointly-controlled entity is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

Goodwill arises on the acquisition of subsidiaries and jointly-controlled entities and is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration is lower than the fair value of the net assets of the subsidiary or jointly-controlled entity acquired, the difference is recognised in profit or loss.

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. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Impairment is determined by assessing the recoverable amount, which is the higher of value-in-use and the fair value less costs to sell, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Business combination and goodwill *(Continued)*

Where goodwill forms part of a cash-generating unit (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 disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

4.8 Segment reporting

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

4.9 Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency. Each entity in the Group determines its own functional currency based on the primary economic environment in which the entity operates 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 ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to 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.

The functional currencies of certain foreign subsidiaries and a jointly-controlled entity are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Foreign currencies *(Continued)*

For the purpose of the consolidated statement of cash flows, the cash flows of foreign subsidiaries and a jointly-controlled entity are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of foreign subsidiaries and a jointly-controlled entity which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4.10 Property, plant and equipment and depreciation

Leasehold land classified as finance lease and all other property, plant and equipment, other than construction in progress, 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 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.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values, as appropriate over their estimated useful lives, as follows:

Buildings	$3^1/_3$% – $33^1/_3$%
Leasehold improvements	20%
Machinery	5% – 10%
Furniture and equipment	20% – $33^1/_3$%
Motor vehicles	10% – $33^1/_3$%

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 and 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 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Property, plant and equipment and depreciation *(Continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4.12).

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

4.11 Intangible assets (other than goodwill)

(a) Operating rights

Separately acquired operating rights are shown at historical cost. 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.

(b) Club membership

Club membership 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 non-current asset.

(c) Software license

Software license represents the costs of acquiring operating rights for accounting software. Software license is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Impairment of non-financial assets

Where an indication of impairment exists or when annual impairment testing for an asset is required, 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 to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

An assessment is made at the end of each reporting period as to whether there is any 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 profit or loss in the period in which it arises.

4.13 Financial assets

(a) Initial recognition and measurement

When financial assets are recognised initially, they are measured at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss.

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

The Group's financial assets include prepayments, deposits and other receivables, balances with a jointly-controlled entity and cash and cash equivalents.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial assets *(Continued)*

(b) Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the profit or loss. The loss arising from impairment is recognised in the profit or loss in administrative expenses.

4.14 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 derecognised when (i) the rights to receive cash flows from the asset have expired; or (ii) 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.

4.15 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Impairment of financial assets *(Continued)*

(a) Financial assets carried at amortised cost

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

4.16 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transaction, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. Derivative financial instruments that do not qualify for hedge accounting are accounted for as financial assets at fair value through profit or loss and changes in the fair value are recognised immediately in the income statement.

4.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cemetery assets use rights to plots or niches that are being constructed or developed for future sales are classified as inventories and these costs represent cost of purchase, cost of conversion and other costs incurred in bringing these plots or niches to their present location and condition. Separately acquired cemetery assets use rights are shown at historical costs. Cemetery assets use rights acquired in a business combination are recognised at fair value at the acquisition date. Upon commencement of development of the grave plots and niches for cremation urns with the intention of sale in the ordinary course of business of the Group, the related carrying amounts of cemetery assets use rights attributable to grave plots and niches for cremation urns are reclassified from non-current assets to inventories under current assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Inventories *(Continued)*

For inventories not related to cemetery assets use rights to plots or niches, mainly cemetery related merchandises, such as gravestones and memorial, cost is determined on the weighted-average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads.

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cemetery assets use rights to plots or niches are classified as current assets unless the construction period of the relevant plots or niches is expected to complete beyond the normal operating cycle.

4.18 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 statements 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.

4.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.20 Financial liabilities

(a) Initial recognition and measurement

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value, in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade payables, loan from a non-controlling interest, other payables and accruals, other borrowings and liability component of convertible bonds.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Financial liabilities *(Continued)*

(b) Subsequent measurement

(i) *Financial liabilities at amortised cost*

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method 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 finance costs in the profit or loss.

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

(ii) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss of the Group are convertible bonds classified as share-based payment transactions and are measured at fair value on initial recognition. At the end of each reporting period subsequent to initial recognition, financial liabilities at fair value through profit of loss are re-measured at fair value, with changes in fair value recognised directly in the period in which they arise.

(iii) *Convertible bonds not classified as share-based payment transaction*

Compound financial instruments, such as convertible bonds, issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.21 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 profit or loss.

4.22 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only 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.

4.23 Current and deferred income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax assets and liabilities for the current and prior periods 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

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

- where 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 and a jointly-controlled entity, where 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.23 Current and deferred income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that the temporary differences will reverse in the foreseeable future or 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 where 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.

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.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4.24 Employee benefits

(a) Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the 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 5% of their payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.24 Employee benefits *(Continued)*

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the statement of financial position. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

4.25 Share-based payment transactions

(a) Share-based payment transactions with employees and others providing similar services

The Company operates a share options scheme and warrants 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 transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees and others providing similar services is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer or the management using a black-scholes option pricing model:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to stay).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

The cost of equity-settled transactions is recognised, 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 profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.25 Share-based payment transactions *(Continued)*

(a) Share-based payment transactions with employees and others providing similar services (Continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

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 payment transaction, 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. All cancellations of equity-settled transaction awards are treated equally.

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

(b) Issue of convertible bonds as share-based payment transactions

If the identifiable consideration received by the Company appears to be less than the fair value of the convertible bonds issued, the Company measures the unidentifiable services received (to be received) as the difference between the fair value of the convertible bonds issued and that of the identifiable consideration received, and the difference is recognised in the profit or loss immediately unless qualified for capitalisation.

The debt component (i.e the bondholder's right to demand payment in cash) of the convertible bond will be accounted for as a cash-settled share-based payment transaction while the equity component (i.e the bondholder's right to demand settlement in the Company's shares) of the convertible bond will be accounted for as an equity-settled share-based payment transaction. The entity first measures the fair value of the debt component, and then measure the fair value of the equity component by taking into account that the bondholder must forfeit the right to receive cash in order to receive the equity instrument. Subsequent to initial recognition, the debt component of the convertible bond is stated at fair value, with changes recorded in the income statement under gain/(loss), net. The equity component is not re-measured subsequent to initial recognition.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.26 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.

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 "finance costs" in the consolidated income statement.

4.27 Share capital

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

4.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services rendered, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of interment rights and related products

The Group is a cemetery operator where it conveys the right to the customers to use a portion of the land within the cemetery for the purposes of cremation ground burial, mausoleum spaces or columbarium (the "interment rights"). The Group also sells certain cemetery related merchandises that would be used along with the interment rights. The sales of interment rights and the related merchandises are recognised upon (i) the Group has transferred the interment rights and provided the merchandises to the customers, (ii) the customers have acknowledged the receipts of the interment rights and the related merchandises, and (iii) the collectability of the related receivables is reasonably assured.

(b) Rendering of funeral and cremation services

The Group renders services including cremation, funeral arrangement and funeral services in funeral parlours and funeral service centres. For sales of services, revenue is recognised in the accounting period in which the services are rendered.

(c) Management service

Management service income from managing cemeteries is recognised in the profit or loss on a straight-line basis over the term of the arrangement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.29 Interest income

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 through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

4.30 Government grants

Government grants are 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 over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

4.31 Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to the profit or loss on the straight-line basis over the lease terms.

Leasehold land and land use rights under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

4.32 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in the profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), price risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge its risk exposures.

(a) Market risk

(i) Foreign currency risk

As the Group's assets, liabilities and transactions are principally denominated in Renminbi and Hong Kong dollars, which are also the functional currency of the Group's entities to which these balances related. Accordingly, risk that the Group is subject to foreign currency risk at 31 December 2012 and 31 December 2011 is minimal.

(ii) Fair value interest rate risk

The Group's interest rate risk mainly arises from the convertible bonds. As at 31 December 2012, if the interest rate as convertible bonds had been 100 basis point (For the period ended 31 December 2011: 100 basis point) higher/lower with all other variables held constant, loss for the year would have been HK$218,000 (For the period ended 31 December 2011: HK$286,000) lower/higher as a result of a decrease/increase and the carrying amounts of fixed rate borrowings.

(b) Credit risk

The Group's principal financial assets include other receivables, balances with a jointly-controlled entity and cash and cash equivalents. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2012 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the majority of cash are placed at banks that are listed.

(c) Price risk

The Group is exposed to equity securities price risk because financial instruments held by the Group are classified as fair value through profit or loss. The Group has not mitigated its price risk arising from these financial instruments.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(d) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group's primary cash requirements have been for capital investments and repayment of related debts. The Group finances its working capital requirements primarily through funds generated from operations, other borrowings and funds raising activities in the public market.

To improve the Group's operating performance and alleviate its liquidity risk, management is implementing measures to reduce the operating cash outflows and to raise additional financing for the Group. Apart from exercising its effort in cost control, the Group is also exploring other financing means which include negotiating with banks to secure banking facilities such that the Group can obtain further financing to meet its financial obligations. In addition, subsequent to the reporting period, the Group received a loan amounting to HK$20,000,000 from the chairman of the Company who is also one of the shareholders of the Company and the loan is repayable after one year. Although the loan can be demanded for early repayment if there is any fund raised (either in a form of debt or equity financing) by the Company for any amount of net proceeds of not less than HK$20,000,000, the fund raised by the Company must not have any conditions which require the Company to repay the fund raised within twelve months from the date of the loan agreement entered between the chairman and the Company.

The Company's directors believe that the Group will be able to secure additional financing and successful in implementing the above-mentioned measures. The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of twelve months from the latest balance sheet date. Based on these cash flow projections, the Group will have sufficient financial resources in the coming twelve months to meet its financial obligations as and when they fall due.

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:

	Less than 3 months or payable on demand HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 December 2012					
Trade payables	867	–	–	–	867
Loan from a non-controlling interest	1,229	–	–	–	1,229
Other payables and accruals	14,906	–	446	903	16,255
Amount due to a shareholder of a joint venture	5,063	–	–	–	5,063
Other borrowings	–	1,229	8,600	5,939	15,768
Convertible bonds	–	–	147,924	–	147,924
Interest payable	–	300	3,859	–	4,159
	22,065	1,529	160,829	6,842	191,265

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(d) Liquidity risk (Continued)

	Less than 3 months or payable on demand HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 December 2011 (Restated)					
Trade payables	502	–	–	–	502
Loan from a non-controlling interest	1,222	–	–	–	1,222
Other payables and accruals	6,422	–	418	1,019	7,859
Amount due to a shareholder of a joint venture	5,063	–	–	–	5,063
Other borrowings	–	1,222	7,332	7,383	15,937
Convertible bonds	–	30,750	117,174	–	147,924
Interest payable	–	2,159	825	–	2,984
	13,209	34,131	125,749	8,402	181,491

5.2 Capital risk 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 business 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 adjust the dividend payment to shareholders, return capital to shareholders or 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 reporting period.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Capital risk management *(Continued)*

The Group monitors capital using a gearing ratio, which is the total liabilities divided by the equity attributable to owners of the Company. The gearing ratios as at 31 December 2012 and 31 December 2011 were as follows:

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated)
Current liabilities	**24,057**	43,906
Non-current liabilities	**195,439**	163,839
Total liabilities	**219,496**	207,745
Equity attributable to owners of the Company	**147,539**	137,671
Gearing ratio	**1.49**	1.51

5.3 Fair value of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The financial instruments of convertible bonds are measured at fair value based on Level 3 to determine their fair values on the issuance day.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value of financial instruments *(Continued)*

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

The following table presents the changes in level 3 instruments for the year ended 31 December 2012:

	Convertible bonds measured at share-based payment transaction HK$'000	Derivative financial instrument HK$'000	Total HK$'000
Opening balance	(76,131)	2,461	(73,670)
Loss arising a extinguishment of convertible bond (CB2.2)	–	(853)	(853)
Gains and losses recognised in profit or loss	(9,433)	163	(9,270)
Closing balance	(85,564)	1,771	(83,793)
Total gains or losses for the period including in profit or loss for assets/liabilities held at the end of the reporting period	(9,433)	163	(9,270)

The following table presents the changes in level 3 instruments for the period ended 31 December 2011:

	Convertible bonds measured at share-based payment transaction HK$'000	Derivative financial instrument HK$'000	Total HK$'000
Opening balance	(17,831)	1,302	(16,529)
Additions	(58,613)	–	(58,613)
Gains and losses recognised in profit or loss	313	1,159	1,472
Closing balance	(76,131)	2,461	(73,670)
Total gains or losses for the period including in profit or loss for assets/liabilities held at the end of the reporting period	313	1,159	1,472

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, 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.

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 discussed below.

(a) Net realisable value of cemetery assets use rights and inventories

Net realisable value of cemetery assets use rights is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at the end of each reporting period.

(b) Current and deferred income tax

The Group is subject to income taxes in the PRC and other jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(c) Share option/warrant

The valuation of the fair value of the share option/warrant granted requires judgement 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 option/warrant and the number of share options that are expected to vest. Where the outcome of the number of option/warrant that are vested is different, such difference will impact the consolidated statement of comprehensive income in the subsequent remaining vesting period of the relevant share options.

(d) Fair value of convertible bonds

The fair value of convertible bonds are determined using valuation techniques including reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(e) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The calculation of the fair value less costs to sell 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 assets or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(f) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. The recoverable amount of CGUs have been determined based on the higher of the fair value less cost to sell and value-in-use calculation. The Group requires to make an estimate of the expected future cash flow and to choose a suitable discount rate in order to calculate the present value of those cash flows.

(g) Provision for impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the collectability of receivables. Provisions for impairment are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expense in the period in which such estimate is changed.

(h) Depreciation and amortisation

Management determines the estimated useful lives and related depreciation/amortisation charges for the Group's fixed assets and intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation/amortisation charges where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation/amortisation expenses in future periods.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(i) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

7. OPERATING SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors and senior management collectively. They review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments from a geographic locations perspective, mainly Hong Kong and Mainland China.

During the current year, the Group has changed its segment information disclosure from a perspective of products and services to a perspective of geographic locations. In Mainland China, the Group mainly derives its revenue from the sales of interments right and cemetery related merchandise and the rendering of funeral services. In Hong Kong, the Group mainly derives its revenue from the rendering of funeral services.

The trading of automobile and accessories business was discontinued during the year. The segment information reported on the following does not include any amounts for the discontinued operation.

Sales between segments are carried out at arm's length. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated income statement.

The executive directors and senior management assess the performance of segments based on a measure of segment results before finance costs, financial income and unallocated corporate income and expenses.

Segment assets consist primarily of property, plant and equipment, intangible assets, cemetery assets use rights, inventories, prepayments, deposits and other receivables, balances with a jointly-controlled entity and operating cash.

Segment liabilities comprise operating liabilities but exclude convertible bonds and certain other payables and accruals related to neither segments.

7. OPERATING SEGMENT INFORMATION *(Continued)*

The segment results and other segment items for the year ended 31 December 2012 are as follows:

	Mainland China HK$'000	Hong Kong HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	**14,136**	**2,733**	**16,869**
Operating loss	**(6,592)**	**(3,484)**	**(10,076)**
Unallocated corporate expenses, net			**(41,832)**
Finance income			**8,909**
Finance costs			**(4,766)**
Loss before taxation			**(47,765)**
Segment assets	**392,980**	**8,501**	**401,481**
Property, plant and equipment			**2,513**
Intangible assets			**2,700**
Amount due from a jointly-controlled entity			**16,521**
Prepayments, deposits and other receivables			**8,089**
Derivative financial instrument			**1,771**
Cash and cash equivalents			**2,093**
Total assets			**435,168**
Segment liabilities	**(102,171)**	**(719)**	**(102,890)**
Other payables and accruals			**(6,528)**
Amounts due to shareholders			**(480)**
Amount due to a director			**(1,972)**
Convertible bonds			**(107,626)**
Total liabilities			**(219,496)**
Other segment information:			
Depreciation and amortisation	**5,672**	**194**	**5,866**
Unallocated depreciation and amortisation			**1,134**
			7,000
Capital expenditure	**28,351**	**6,376**	**34,727**
Unallocated capital expenditure			**4,037**
			38,764

7. OPERATING SEGMENT INFORMATION *(Continued)*

The segment results and other segment items for the period ended 31 December 2011 are as follows:

	Mainland China HK$'000	Total HK$'000
Segment revenue:		
Sales to external customers	7,132	7,132
Operating loss	(2,638)	(2,638)
Unallocated corporate expenses, net		(177,611)
Finance income		295
Finance costs		(3,522)
Loss before taxation		(183,476)
Segment assets	375,223	375,223
Property, plant and equipment		4,761
Amount due from a jointly-controlled entity		12,329
Prepayments, deposits and other receivables		1,009
Derivative financial instrument		2,461
Cash and cash equivalents		18,720
Total assets		414,503
Segment liabilities	(97,729)	(97,729)
Other payables and accruals		(2,975)
Amounts due to shareholders		(480)
Amount due to a director		(1,582)
Convertible bonds		(104,979)
Total liabilities		(207,745)
Other segment information:		
Depreciation and amortisation	2,888	2,888
Unallocated depreciation and amortisation		401
		3,289
Capital expenditure	3,076	3,076
Unallocated capital expenditure		655
		3,731

7. OPERATING SEGMENT INFORMATION *(Continued)*

Details of the segment result for the automobile and accessories trading business for the period from 1 April 2011 to 31 December 2011 and for the year ended 31 December 2012 are shown in note 15 of the consolidated financial statements.

A breakdown of the revenue from all services and products is as follows:

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000
Sales of interments right and related products	**7,132**	2,678
Rendering of funeral and cremation services	**9,722**	4,454
Management service	**15**	–
	16,869	7,132

The Group does not have any major customers which account for 10% or more of the total revenue of the Group during the year ended 31 December 2012 (During the period ended 31 December 2011: Nil).

The Company is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong is HK$2,733,000 (2011: Nil) and total revenue from external customers in Mainland China is HK$14,136,000 (2011: HK$7,132,000).

8. OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

The Group's other income and other (losses)/gains attributable to continuing operations as presented on the face of the consolidated income statement is analysed as follows:

(a) Other income

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Rental income	**304**	151
Sundry income	**592**	565
	896	716

8. OTHER INCOME AND OTHER (LOSSES)/GAINS, NET *(Continued)*

(b) Other (losses)/gains, net

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Foreign exchange gain, net	**34**	117
Fair value changes on financial instruments	**(9,270)**	1,472
	(9,236)	1,589

Note: Fair value changes on financial instruments consisted of (i) fair value gain on derivative financial instruments of HK$163,000 (For the period ended 31 December 2011: gain of HK$1,159,000) and (ii) fair value loss on convertible bonds HK$9,433,000 (For the period ended 31 December 2011: gain of HK$313,000).

9. LOSS BEFORE TAXATION

Loss before taxation is stated after crediting and charging the following:

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Cost of inventories recognised as expense		
– cemetery assets use rights	**4,647**	1,892
– cemetery merchandises	**1,572**	895
Inventory write-down	**426**	–
Amortisation of cemetery assets use rights	**4,647**	1,892
Employees benefits expenses (Note 10)	**19,934**	12,791
Depreciation of property, plant and equipment	**2,349**	1,397
Amortisation of software license	**4**	–
Auditors' remuneration	**1,450**	380
Loss on disposal of property, plant and equipment	**1,235**	629
Equity-settled warrant shares expenses for non-employee	**1,950**	3,933
Equity-settled share options expenses for non-employees	**411**	2,593
Share-based payment arising from the issue of convertible bonds	**–**	147,839
Minimum lease payments under operating leases in respect of land and buildings	**3,508**	2,447

10. EMPLOYEES BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000
Salaries and other benefits	**18,317**	11,122
Equity-settled share options expenses	**–**	1,575
Equity-settled warrant shares expenses	**1,397**	–
Pension schemes contributions	**220**	94
	19,934	12,791

11. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

Directors' and chief executives' remuneration for the year/period, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Year ended 31 December 2012	**Fees HK$'000**	**Salaries, allowances and benefits in kind HK$'000**	**Performance related bonuses HK$'000**	**Equity-settled share options expenses HK$'000**	**Pension schemes contributions HK$'000**	**Total remuneration HK$'000**
Executive directors:						
Mr. Chui Bing Sun (i)	**–**	**3,435**	**266**	**–**	**14**	**3,715**
Mr. Kwok Kwan Hung (i)	**–**	**1,722**	**144**	**–**	**14**	**1,880**
	–	**5,157**	**410**	**–**	**28**	**5,595**
Independent non-executive directors:						
Mr. Chan Wai Man	**156**	**–**	**–**	**–**	**–**	**156**
Mr. Law Yee Man, Thomas	**156**	**–**	**–**	**–**	**–**	**156**
Mr. Siu Hi Lam, Alick	**156**	**–**	**–**	**–**	**–**	**156**
	468	**–**	**–**	**–**	**–**	**468**
	468	**5,157**	**410**	**–**	**28**	**6,063**

11. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION *(Continued)*

Period from 1 April 2011 to 31 December 2011	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share options expenses HK$'000 (Restated)	Pension schemes contributions HK$'000	Total remuneration HK$'000 (Restated)
Executive directors:						
Mr. Chui Bing Sun (i)	–	2,160	390	–	9	2,559
Mr. Kwok Kwan Hung (i)	–	1,230	210	1,193	9	2,642
	–	3,390	600	1,193	18	5,201
Independent non-executive directors:						
Mr. Chan Wai Man	108	–	–	119	–	227
Mr. Law Yee Man, Thomas (appointed on 12 July 2011)	68	–	–	71	–	139
Mr. Leung Chi Kong (retired on 31 August 2011)	60	–	–	–	–	60
Mr. Siu Hi Lam, Alick	108	–	–	119	–	227
	344	–	–	309	–	653
	344	3,390	600	1,502	18	5,854

Note:

(i) Mr. Chui Bing Sun and Mr. Kwok Kwan Hung are also the chief executives of the Group.

There was no arrangement under which a director has waived or agreed to waive any remuneration during the year ended 31 December 2012 (During the period ended 31 December 2011: Nil).

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (During the period ended 31 December 2011: Two) directors, details of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining three (During the period ended 31 December 2011: Three) highest paid employees who are not directors for the year/period are as follows:

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000
Salaries, allowances and benefits in kind	**2,356**	1,805
Performance related bonuses	**153**	40
Pension schemes contributions	**41**	24
	2,550	1,869

There are three (During the period ended 31 December 2011: Three) highest paid employees who are not directors and whose remuneration fell within the following bands is as follows:

	Number of employees	
	Year ended 31 December 2012	Period from 1 April 2011 to 31 December 2011
Nil – HK$1,000,000	**2**	3
HK$1,000,001 – HK$1,500,000	**1**	–
	3	3

13. FINANCE INCOME AND COSTS

The Group's finance income and costs attributable to continuing operations as presented on the face of the consolidated income statement is analysed as follows:

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Interest on:		
– Other borrowings wholly repayable within five years	**(79)**	(182)
– Other borrowings wholly repayable after five years	**(969)**	(667)
– Convertible bonds	**(3,802)**	(2,654)
Others	**(154)**	(19)
Finance costs	**(5,004)**	(3,522)
Less: amounts capitalised on qualifying assets	**238**	–
Total finance costs	**(4,766)**	(3,522)
Finance income:		
– Gain arising on extinguishment of a convertible bond (CB2.2)	**8,485**	–
– Interest income on short-term bank deposits	**135**	295
– Interest income on notes receivable	**207**	–
– Others	**82**	–
Total finance income	**8,909**	295
Net finance income/(costs)	**4,143**	(3,227)

14. INCOME TAX CREDIT

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Deferred income tax	**1,279**	504
Income tax credit	**1,279**	504

Hong Kong profits tax is calculated at 16.5% (For the period ended 31 December 2011: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the year (For the period ended 31 December 2011: Nil).

The PRC subsidiaries and a jointly-controlled entity are subject to the PRC corporate income tax at 25% (For the period ended 31 December 2011: 25%). No provision for the PRC corporate income tax has been made as the Group has tax losses brought forward to offset the assessable profits generated in the PRC for the year (For the period ended 31 December 2011: no assessable profits). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

A reconciliation of the tax expense applicable to loss before taxation at the statutory rates for the countries (or jurisdictions) in which the Company, its subsidiaries and a jointly-controlled entity are domiciled to the tax expense at the effective tax rates are as follows:

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Loss before taxation from continuing operations	**(47,765)**	(183,476)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(5,198)**	(2,428)
Expenses not deductible for tax	**413**	96
Others	**(109)**	(87)
Tax losses for which no deferred income tax asset was recognised	**3,615**	1,915
Income tax credit	**(1,279)**	(504)

15. DISCONTINUED OPERATION

After the Japan earthquake in March 2011, the economic environment of the world was becoming more unfavourable. It affected the profitability of the Group's automobile and accessories trading business and, for this reason, the Board of Directors decided to discontinue the business in June 2012.

The results of the automobile and accessories trading business are presented below:

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000
Revenue	–	2,969
Expenses	–	(2,976)
Loss before taxation	–	(7)
Income tax expense	–	–
Loss for the year/period from the discontinued operation	–	(7)

The net cash flows incurred by the automobile and accessories trading business are as follows:

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000
Operating activities	–	(316)
Investing activities	–	–
Financing activities	–	–
Net cash outflows	–	(316)

15. DISCONTINUED OPERATION *(Continued)*

	Year ended 31 December 2012	Period from 1 April 2011 to 31 December 2011
Loss per share (expressed in HK$ per share):		
From the discontinued operation		
– Basic	**–**	–
– Diluted	**–**	–

16. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period (During the period ended 31 December 2011: Nil).

17. LOSS PER SHARE

(a) Basic

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

On 5 June 2012, the Company issued 505,946,000 new ordinary shares through a rights issue. The rights issue was offered at HK$0.1 per share and represented a discount to the market price of the existing shares. The number of shares used for prior year calculations of loss per share shown below has been adjusted for the discounted rights issue in order to provide a comparable basis for the current year. An adjustment factor of 1.05 has been applied based on the Company's share price on the day before the new shares commenced trading on the GEM and the theoretical ex-rights price.

17. LOSS PER SHARE *(Continued)*

(a) Basic *(Continued)*

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Loss from continuing operations attributable to owners of the Company	**(45,327)**	(182,379)
Loss from a discontinued operation attributable to owners of the Company	**–**	(7)
	(45,327)	(182,386)
Weighted average number of ordinary shares in issue (in thousands)	**1,324,767**	1,065,827

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: share options, convertible bonds and warrants. The convertible bonds are assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the interest expense less the tax effect. For the share options and warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and warrants.

There were no potential dilutive ordinary shares for the year ended 31 December 2012 and the period ended 31 December 2011.

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Machineries HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:							
At 1 April 2011	13,370	2,705	–	641	1,474	2,935	21,125
Additions	2,755	327	256	–	356	–	3,694
Acquisition of a subsidiary	–	612	–	–	–	–	612
Disposals	(730)	–	–	–	(120)	(492)	(1,342)
Transfer out	(368)	–	–	–	–	–	(368)
Exchange realignment	426	–	–	20	3	42	491
At 31 December 2011	15,453	3,644	256	661	1,713	2,485	24,212
Additions	11,386	3,343	17,858	2,171	520	369	35,647
Disposals	–	(1,770)	–	–	(3)	(537)	(2,310)
Exchange realignment	85	–	(3)	3	–	6	91
At 31 December 2012	**26,924**	**5,217**	**18,111**	**2,835**	**2,230**	**2,323**	**57,640**
Accumulated depreciation and impairment:							
At 1 April 2011	4,473	122	–	244	637	1,539	7,015
Charge for the period	403	457	–	31	234	272	1,397
Disposals	(117)	–	–	–	(117)	(479)	(713)
Transfer out	(222)	–	–	–	–	–	(222)
Exchange realignment	137	–	–	8	3	30	178
At 31 December 2011	4,674	579	–	283	757	1,362	7,655
Charge for the year	717	727	–	84	395	426	2,349
Disposals	–	(576)	–	–	–	(499)	(1,075)
Exchange realignment	26	–	–	2	–	3	31
At 31 December 2012	**5,417**	**730**	**–**	**369**	**1,152**	**1,292**	**8,960**
Net carrying amounts:							
At 31 December 2012	**21,507**	**4,487**	**18,111**	**2,466**	**1,078**	**1,031**	**48,680**
At 31 December 2011	10,779	3,065	256	378	956	1,123	16,557
At 1 April 2011	8,897	2,583	–	397	837	1,396	14,110

The net book value of the Group's interests in leasehold land classified as finance lease are analysed as follows:

	As at 31 December	
	2012 HK$'000	2011 HK$'000
In Hong Kong, held:		
Leases of 75 years	**3,682**	–

19. INTANGIBLE ASSETS

	Goodwill HK$'000	Operating rights HK$'000	Club membership HK$'000	Software license HK$'000	Total HK$'000
Cost:					
At 1 April 2011, as previously stated	126,807	–	–	–	126,807
Prior year adjustments with respect to:					
Fair value measurement related to the issuance of CB2.1 and CB2.2 (Note 3(a)(i))	46,836	–	–	–	46,836
Recognition and measurement of identifiable intangible assets in connection with the EIHI acquisition (Note 3(a)(ii))	(157,992)	5,191	–	–	(152,801)
Recognition and measurement of identifiable intangible assets in connection with the LPIL acquisition (Note 3(b)(i))	(9,125)	9,739	–	–	614
At 1 April 2011, as restated	6,526	14,930	–	–	21,456
Addition	–	–	–	37	37
Acquisition of a subsidiary	396	–	–	–	396
Exchange realignment	200	458	–	–	658
At 31 December 2011, as restated	7,122	15,388	–	37	22,547
At 1 January 2012, as previously stated	127,203	–	–	37	127,240
Prior year adjustments with respect to:					
Fair value measurement related to the issuance of CB2.1 and CB2.2 (Note 3(a)(i))	46,836	–	–	–	46,836
Recognition and measurement of identifiable intangible assets in connection with the EIHI acquisition (Note 3(a)(ii))	(157,792)	5,351	–	–	(152,441)
Recognition and measurement of identifiable intangible assets in connection with the LPIL acquisition (Note 3(b)(i))	(9,125)	10,037	–	–	912
At 1 January 2012, as restated	7,122	15,388	–	37	22,547
Additions	–	–	2,900	6	2,906
Acquisition of a subsidiary	429	–	–	–	429
Exchange realignment	40	86	–	–	126
At 31 December 2012	**7,591**	**15,474**	**2,900**	**43**	**26,008**

19. INTANGIBLE ASSETS *(Continued)*

	Goodwill HK$'000	Operating rights HK$'000	Club membership HK$'000	Software license HK$'000	Total HK$'000
Accumulated amortisation and impairment:					
At 1 April 2011 and 31 December 2011	–	–	–	–	–
Impairment charge	(429)	–	(200)	–	(629)
Charge for the year	–	–	–	(4)	(4)
At 31 December 2012	**(429)**	**–**	**(200)**	**(4)**	**(633)**
Net carrying amounts:					
At 31 December 2012	**7,162**	**15,474**	**2,700**	**39**	**25,375**
At 31 December 2011, as restated	7,122	15,388	–	37	22,547
At 1 April 2011, as restated	6,526	14,930	–	–	21,456

Impairment tests for goodwill

For the purpose of impairment testing, goodwill has been allocated to individual cash-generating unit ("CGU"), that represents subsidiaries and a jointly-controlled entity in the cemetery operation and funeral service.

During the reporting period, other than the impairment charge of HK$429,000 of one of the CGUs, the management of the Group determines that there is no impairment on the other CGUs containing goodwill. The impairment charge arose in one of the CGUs which has no concrete future operational plan and no plan to be integrated into the Group's core businesses.

The majority of the goodwill is allocated to the cemetery operations. The recoverable amounts of the CGUs are determined based on the higher of fair value less costs to sell and value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period or longer, depending on the nature of the underlying business. The estimated growth rates adopted do not exceed the long-term average growth rates for the business in which the CGU operates.

Key assumptions used for these calculations are as follows:

	2012	2011
Long-term growth rate	**3.0%**	8.0%
Discount rate	**15.4%**	10.0%

20. CEMETERY ASSETS USE RIGHTS

	HK$'000
Cost:	
At 1 April 2011, as previously stated	–
Prior year adjustments with respect to:	
Recognition and measurement of identifiable intangible assets in connection with the EIHI acquisition (Note 3(a)(ii))	218,408
At 1 April 2011, as restated	218,408
Exchange realignment, as restated	6,707
At 31 December 2011, as restated	225,115
At 1 January 2012, as previously stated	–
Prior year adjustments with respect to:	
Recognition and measurement of identifiable intangible assets in connection with the EIHI acquisition (Note 3(a)(ii))	225,115
At 1 January 2012, as restated	225,115
Transferred to inventories	(13,635)
Exchange realignment	1,285
At 31 December 2012	212,765
Net carrying amounts:	
At 31 December 2012	212,765
At 31 December 2011, as restated	225,115
At 1 April 2011, as restated	218,408

21. INVESTMENTS IN SUBSIDIARIES

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000
Unlisted shares, at cost	**78**	78

The amounts due from and to subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment. The amounts due from subsidiaries are not expected to be repaid by subsidiaries within twelve months from the date of statement of financial position.

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ establishment, registration and operations	Nominal value of issued ordinary/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			31 December 2012 %	31 December 2011 %	
Reliance Death Care Services Incorporation (i)	British Virgin Islands ("BVI"), limited liability company	US$1	100	100	Investment holding
Billion Station Limited (i)	BVI, limited liability company	US$10,000	100	100	Investment holding
Grand Creation Investments Limited ("Grand Creation") (i)	BVI, limited liability company	US$1	100	100	Investment holding
Glory Prospect Limited	Hong Kong ("HK"), limited liability company	HK$1	100	100	Provision of administrative services
Billion Legend Trading Limited	HK, limited liability company	HK$1	100	100	Investment holding
Sage Death Care Services Holdings Limited	BVI, limited liability company	US$1	100	100	Investment holding
Sage Funeral Services Limited	HK, limited liability company	HK$17	100	100	Operation of funeral business
Luck Point Investments Limited	BVI, limited liability company	US$200	100	100	Investment holding
懷集萬福山殯儀館有限公司 (Huai Ji Luck Mountain Funeral Parlor Limited (ii))	PRC, wholly foreign-owned enterprise	RMB10,500,000	100	100	Operation of cemetery and funeral business
畢節敬信陵園管理有限公司 (Bijie Reliance Cemetery Management Company Limited (ii))	PRC, wholly foreign-owned enterprise	RMB33,333,330	60	60	Operation of cemetery and funeral business

Notes:

(i) Shares held by the Company directly

(ii) English name is for identification purpose only

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

22. INVESTMENTS IN A JOINTLY-CONTROLLED ENTITY

The following table illustrates the summarised financial information of the Group's jointly-controlled entity included in the consolidated statement of financial position and consolidated income statement:

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated)	As at 1 April 2011 HK$'000 (Restated)
Share of the jointly-controlled entity's assets and liabilities:			
Non-current assets	**238,337**	241,243	231,739
Current assets	**69,734**	62,498	63,675
Current liabilities	**(18,459)**	(10,186)	(7,098)
Non-current liabilities	**(87,708)**	(89,101)	(87,321)
Net assets	**201,904**	204,454	200,995

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)	Year ended 1 April 2011 HK$'000 (Restated)
Share of the jointly-controlled entity's income and expenses:			
Income	**7,147**	3,210	3,281
Expenses	**(12,582)**	(6,284)	(3,197)
Income tax credit/(expense)	**1,675**	504	269
(Loss)/profit after taxation	**(3,760)**	(2,570)	353

22. INVESTMENTS IN A JOINTLY-CONTROLLED ENTITY *(Continued)*

Particulars of the jointly-controlled entity are as follows:

Name of entity	Particulars of issued shares held	Place of incorporation/ registration and establishment	Percentage of Ownership interest 31 December 2012 %	Ownership interest 2011 %	Profit sharing 31 December 2012 %	Profit sharing 2011 %	Principal activities
Era Investment (Holding) Inc. (i)	Ordinary shares US$50,000	BVI, limited liability company	**50**	50	**50**	50	Investment holding
蘇州名流陵園實業有限公司 (Suzhou Celebrities Cemetery Industry Co., Limited (ii)(iii))	Registered capital of RMB20,000,000	PRC, wholly foreign-owned enterprise	**90**	90	**75**	75	Operation of cemetery and funeral business

Notes:

(i) Shares held by the Grand Creation directly

(ii) English name is for identification purpose only

(iii) Shares held by EIHI

23. INVENTORIES

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated)	As at 1 April 2011 HK$'000 (Restated)
Within normal operating cycle included under current assets	**80,959**	72,134	71,778
Amount comprised:			
Construction cost and cemetery related merchandises	**2,150**	2,691	2,434
Cemetery assets use rights	**78,809**	69,443	69,344
	80,959	72,134	71,778

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated)	As at 1 April 2011 HK$'000 (Restated)
Prepayments and other receivables	**28,272**	29,067	1,384
Notes receivable	**7,207**	–	–
Rental and other deposits	**230**	344	1,679
Trade deposits	**–**	–	1,248
	35,709	29,411	4,311
Less non-current portion:			
Deposits for land use rights	**(25,004)**	(11,430)	–
Deposits for property, plant and equipment	**(808)**	(16,311)	–
Others	**(160)**	–	–
	(25,972)	(27,741)	–
Current portion	**9,737**	1,670	4,311

The notes receivable is secured, interest bearing at the rate of 60% per annum and repayable within the next twelve months from the date of statement of financial position. Full amount has been repaid to the Group in January 2013.

25. BALANCES WITH A JOINTLY-CONTROLLED ENTITY AND A LOAN TO A NON-CONTROLLING INTEREST

The amount due from a jointly-controlled entity amounting to HK$18,364,000 (As at 31 December 2011: HK$12,329,000) is unsecured, non-interest bearing and has no fixed terms of repayment.

Loan from a non-controlling interest amounting to HK$1,229,000 (As at 31 December 2011: HK$1,222,000) is unsecured, interest bearing at the rate of 3% per annum and repayable within twelve months.

26. DERIVATIVE FINANCIAL INSTRUMENTS – GROUP AND COMPANY

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated)	As at 1 April 2011 HK$'000 (Restated)
Derivative asset arising from CB 2.2	**1,711**	2,461	1,302

This represents the derivative asset arising from the issuance of CB 2.2. The maximum exposure to credit risk at the reporting date is the fair value of the derivative asset in the statement of financial position.

27. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000	**As at 31 December 2012 HK$'000**	As at 31 December 2011 HK$'000
Cash and bank balances	**11,545**	33,949	**691**	16,529

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Cash and cash equivalents were denominated in the following currencies:

	Group		**Company**	
	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000	**As at 31 December 2012 HK$'000**	As at 31 December 2011 HK$'000
HK Dollar ("HK$")	**7,118**	8,246	**580**	634
Renminbi ("RMB")	**3,098**	9,797	**–**	–
US Dollar ("US$")	**1,329**	15,906	**111**	15,895
Cash and bank balances	**11,545**	33,949	**691**	16,529

The RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and the remittance of RMB out of Mainland China are subject to the rules and regulations of the foreign exchange control promulgated by the government of the PRC.

28. TRADE PAYABLES

An aging analysis of trade payables which are non-interest bearing at end of the reporting period, based on the invoice date, is as follows:

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000
Within 30 days	**201**	37
31–60 days	**139**	–
61–90 days	**36**	–
91 days – 1 year	**304**	209
Over 1 year	**187**	256
	867	502

The average credit period on purchases of certain goods is 30 days. The carrying amount of trade payables approximates its fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

29. OTHER PAYABLES AND ACCRUALS

	Group			**Company**		
	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated)	As at 1 April 2011 HK$'000 (Restated)	**As at 31 December 2012 HK$'000**	As at 31 December 2011 HK$'000 (Restated)	As at 1 April 2011 HK$'000 (Restated)
Other payables and accruals	**12,764**	4,474	7,610	**2,499**	1,035	2,677
Accrued interest	**2,276**	1,323	633	**2,242**	1,250	633
Amounts due to shareholders	**480**	480	480	**480**	480	480
Amount due to a director (i)	**1,972**	1,582	1,548	**1,972**	1,582	1,548
Amount due to a shareholder of a joint venture (ii)	**5,063**	5,063	5,063	**–**	–	–
Receipt in advance	**763**	622	1,018	**–**	–	–
	23,318	13,544	16,352	**7,193**	4,347	5,338
Less non-current portion: Other payables and accruals	**(2,586)**	(1,437)	(1,577)	**–**	–	–
Current portion	**20,732**	12,107	14,775	**7,193**	4,347	5,338

Notes:

(i) Amount due to a director is unsecured, non-interest bearing and has no fixed terms of repayment.

(ii) Amount due to a shareholder of a joint venture is unsecured, non-interest bearing and has no fixed terms of repayment.

30. DEFERRED INCOME TAX

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated)	As at 1 April 2011 HK$'000 (Restated)
Deferred tax assets:			
Deferred tax asset to be recovered after more than 12 months	**5,317**	5,818	5,652
Deferred tax asset to be recovered within 12 months	**647**	–	–
	5,964	5,818	5,652
Deferred tax liabilities:			
Deferred tax liability to be recovered after more than 12 months	**(75,941)**	(76,212)	(75,167)
Deferred tax liability to be recovered within 12 months	**(711)**	(1,162)	(504)
	(76,652)	(77,374)	(75,671)
Deferred tax liabilities, net	**(70,688)**	(71,556)	(70,019)

30. DEFERRED INCOME TAX *(Continued)*

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

	HK$'000
At 1 April 2011, as previously stated	–
Prior year adjustments with respect to:	
Recognition and measurement of identifiable intangible assets acquired in connection with the EIHI acquisition and the corresponding tax impact at the date of acquisition (Note 3(a)(ii))	(65,549)
Additional amortisation charge arising from the recognition of the operating right (Note 3(a)(iii))	271
Recognition and measurement of identifiable intangible assets acquired in connection with the LPIL acquisition and the corresponding tax impact at the date of acquisition (Note 3(b)(i))	(4,741)
At 1 April 2011, as restated	(70,019)
Credited to profit or loss, as restated	504
Exchange realignment, as restated	(2,041)
At 31 December 2011, as restated	(71,556)
At 1 January 2012, as previously stated	–
Prior year adjustments with respect to:	
Recognition and measurement of identifiable intangible assets acquired in connection with the EIHI acquisition and the corresponding tax impact at the date of acquisition (Note 3(a)(ii))	(67,437)
Additional amortisation charge arising from the recognition of the operating right (Note 3(a)(iii))	775
Recognition and measurement of identifiable intangible assets acquired in connection with the LPIL acquisition and the corresponding tax impact at the date of acquisition (Note 3(b)(i))	(4,894)
At 1 January 2012, as restated	(71,556)
Credited to profit or loss	1,279
Exchange realignment	(411)
At 31 December 2012	**(70,688)**

30. DEFERRED INCOME TAX *(Continued)*

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

Deferred tax liabilities	**Fair value gains** HK$'000
At 1 April 2011, as previously stated	–
Prior year adjustments with respect to:	
Recognition and measurement of identifiable intangible assets acquired in connection with the EIHI acquisition and the corresponding tax impact at the date of acquisition (Note 3(a)(ii))	(70,744)
Additional amortisation charge arising from the recognition of the operating right (Note 3(a)(iii))	271
Recognition and measurement of identifiable intangible assets acquired in connection with the LPIL acquisition and the corresponding tax impact at the date of acquisition (Note 3(b)(i))	(5,198)
At 1 April 2011, as restated	(75,671)
Credited to profit or loss, as restated	504
Exchange realignment, as restated	(2,207)
At 31 December 2011, as restated	(77,374)
At 1 January 2012, as previously stated	–
Prior year adjustments with respect to:	
Recognition and measurement of identifiable intangible assets acquired in connection with the EIHI acquisition and the corresponding tax impact at the date of acquisition (Note 3(a)(ii))	(72,792)
Additional amortisation charge arising from the recognition of the operating right (Note 3(a)(iii))	775
Recognition and measurement of identifiable intangible assets acquired in connection with the LPIL acquisition and the corresponding tax impact at the date of acquisition (Note 3(b)(i))	(5,357)
At 1 January 2012, as restated	(77,374)
Credited to profit or loss, as restated	1,162
Exchange realignment, as restated	(440)
At 31 December 2012	**(76,652)**

30. DEFERRED INCOME TAX *(Continued)*

Deferred tax assets	**Tax losses** HK$'000
At 1 April 2011, as previously stated	–
Prior year adjustments with respect to:	
– Recognition and measurement of identifiable intangible assets acquired in connection with the EIHI acquisition and the corresponding tax impact at the date of acquisition (Note 3(a)(ii))	5,195
– Recognition and measurement of identifiable intangible assets acquired in connection with the LPIL acquisition and the corresponding tax impact at the date of acquisition (Note 3(b)(i))	457
At 1 April 2011, as restated	5,652
Exchange realignment, as restated	166
At 31 December 2011, as restated	5,818
Credited to profit or loss, as restated	117
Exchange realignment, as restated	29
At 31 December 2012	**5,964**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$40,799,000 (As at 31 December 2011: HK$23,751,000) in respect of losses amounting to HK$247,267,000 (As at 31 December 2011: HK$143,945,000) arising in Hong Kong.

31. OTHER BORROWINGS

	Group	
	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000
Loan from an independent third party (i)	**15,768**	15,937
Less: non-current portion	**(14,539)**	(14,715)
Current portion	**1,229**	1,222

31. OTHER BORROWINGS *(Continued)*

(i) Prior to the Group's acquisition of 50% interest in EIHI, a loan from an independent third party, was provided to EIHI with an amount of RMB37,436,000 (equivalent to HK$43,590,000). Such loan is non-interest bearing, secured by the shares of EIHI and the subsidiary of EIHI and fully repayable in December 2020 by annual instalments. The amount was initially recognised at fair value of approximately HK$29,287,000, determined using cash flows discounted at an effective interest rate of 5.94% for year 2009 and 2010. Subsequent to the Group's acquisition of 50% interest in EIHI, an additional loan of RMB2,220,000 (equivalent to HK$2,590,000) with the same terms was provided to EIHI which the fair value of this loan initially recognised was HK$1,476,000, determined using cash flows discounted at an effective interest rate of 6.4% for year 2011. The loans were stated at fair value at inception and subsequently carried at amortised cost with effective interest rate of 5.94% and 6.4% respectively

The Group's borrowings were repayable as follows:

	Loan from an independent third party	
	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000
Within 1 year or on demand	**1,229**	1,222
Between 1 and 2 years	**1,843**	1,222
Between 2 and 5 years	**6,757**	6,110
Wholly repayable within 5 years	**9,829**	8,554
Repayable over 5 years	**5,939**	7,383
	15,768	15,937

32. CONVERTIBLE BONDS

The Group and the Company

(a) On 23 June 2010, the Company issued a convertible bond with principal amount of HK$20,000,000 ("CB1") to New Brilliant Investments Limited, which is wholly-owned by Mr. Chui. CB1 bears interest at 1.5% per annum (calculated on a 360 days basis) on the principal amount of the convertible bonds outstanding from time to time, payable annually in arrear. CB1 can be converted into conversion shares at initial conversion price of HK$0.04, which is subject to anti-dilution adjustments, from the day immediately following the date of the issue of the convertible bonds to the maturity date which is 31 March 2015. As at 31 December 2011, the conversion price has been adjusted to HK$0.048 as a result of the anti-dilution adjustments. During the year ended 31 December 2012, the conversion price has been further adjusted to HK$0.039 due to the rights issue on 4 June 2012. If CB1 has not been converted, they will be redeemed at par on 31 March 2015. Interest will be paid annually until the maturity date.

(b) On 26 October 2010, the Company issued two convertible bonds with aggregate principal amount of HK$36,900,000 and HK$30,750,000, respectively to Forrex (Holding) Inc, which is a director of Era Investment (Holding) Inc., a jointly-controlled entity of the Group and a shareholder of the Company. CB2.1 and CB2.2 bears interest at 0% and 3% per annum, respectively (calculated on a 360 days basis) on the principal amounts of the convertible bonds outstanding from time to time, payable annually in arrear on the maturity date. CB2.1 and CB2.2 can be converted into conversion shares at initial conversion price of HK$0.123, which is subject to anti-dilution adjustments, from the day immediately following the date of the issue of the convertible bonds to the maturity date which was 30 September 2011 and 30 September 2012, respectively. On 30 March 2011, CB2.2 was fully converted into 30,000,000 ordinary shares at the adjusted conversation price of HK$1.23. Furthermore, as at 31 December 2011, the conversion price has been adjusted to HK$0.236 as a result of the anti-dilution adjustments. During the year ended 31 December 2012, the maturity date of CB2.2 was extended to 31 May 2016 due to both the Company and the bondholder expect a satisfactory return to be generated by the Group resulting in appreciation of the Group's overall value. Further, the conversion price has been adjusted to HK$0.193 due to the rights issue on 4 June 2012. CB2.2 includes an early redemption option for the Company to redeem the bond, at any time, at par (plus any accrued and unpaid interest). This has been separately accounted for as a financial derivative asset. During the year ended 31 December 2012, the maturity date of CB2.2 was extended to 31 May 2016. Such amendment was accounted for as an extinguishment of the original convertible bond and the recognition of a new convertible bond. The difference of HK$9,337,000 between the liability component of the original convertible bond and the new convertible bond was included in profit or loss.

(c) On 23 May 2011, the Company issued a convertible bond with principal amount of US$12,500,000 (equivalent to approximately HK$97,174,000) to AXA Direct Asia II, L.P., ("AXA") which is an independent third party. CB3 is non-interest bearing. CB3 can be converted into conversion shares at initial conversion price of HK$0.787, which is subject to anti-dilution adjustments, from the day immediately following the date of the issue of the convertible bonds to the maturity date which is 22 May 2016. As at 31 December 2011, the conversion price has been adjusted to HK$0.197 as a result of the share subdivision. During the year ended 31 December 2012, the conversion price has been further adjusted to HK$0.161 due to the rights issue on 4 June 2012. CB3 provides an early redemption option for AXA to redeem the bond at par when other convertible bonds are redeemed into cash.

32. CONVERTIBLE BONDS *(Continued)*

The Group and the Company *(Continued)*

(a) Convertible bonds – Share-based payment transactions

Each convertible bond accounted for under share-based payment transactions consists of a liability component and an equity component. The equity component is presented in equity heading "share-based payment reserve". The movement of the liability and equity components of the convertible bonds for the year/period is set out below:

	CB1	CB3	
Date of issue	**23.06.2010**	**23.05.2011**	
Maturity date	**31.03.2015**	**22.05.2016**	**Total**
	HK$'000	HK$'000	HK$'000
Nominal value of convertible bonds issued during the year ended 31 March 2011	20,000	–	20,000
Prior year adjustments (Note 3(c))	17,200	–	17,200
Fair value of convertible bonds issued during the year ended 31 March 2011, as restated	37,200	–	37,200
Equity component, as restated	(21,789)	–	(21,789)
Liability component on initial recognition, as restated	15,411	–	15,411
Fair value changes of convertible bonds	2,420	–	2,420
Liability component at 1 April 2011, as restated	17,831	–	17,831
Nominal value of convertible bonds issued during the period ended 31 December 2011	–	97,174	97,174
Prior year adjustments (Note 3(d))	–	147,839	147,839
Fair value of convertible bonds issued during the period ended 31 December 2011, as restated	–	245,013	245,013
Equity component, as restated	–	(186,400)	(186,400)
Liability component on initial recognition, as restated	–	58,613	58,613
Fair value changes of convertible bonds	692	(1,005)	(313)
Liability component as at 31 December 2011, as restated	18,523	57,608	76,131
Liability component at 1 January 2012, as previously stated	17,817	56,105	73,922
Prior year adjustments	706	1,503	2,209
Liability component at 1 January 2012, as restated	18,523	57,608	76,131
Fair value changes of convertible bonds	267	9,166	9,433
Liability component at 31 December 2012	18,790	66,774	85,564

32. CONVERTIBLE BONDS *(Continued)*

The Group and the Company *(Continued)*

(b) Convertible bonds

Each convertible bond is bifurcated into liability component and equity component. The equity component is presented in equity heading "convertible bonds equity reserve". The movement of the liability and equity components of the convertible bonds for the year/period is set out below:

	CB2.1	CB2.2	
Date of issue	**26.10.2010**	**26.10.2010**	
Maturity date	**30.09.2011**	**31.05.2016(i)**	**Total**
	HK$'000	HK$'000	HK$'000
Nominal value of convertible bonds issued during the year ended 31 March 2011	36,900	30,750	67,650
Prior year adjustments (Note 3(a)(i) and Note 3(c))	25,586	21,250	46,836
Fair value of convertible bonds issued during the year ended 31 March 2011, as restated	62,486	52,000	114,486
Equity component, as restated	(28,884)	(28,609)	(57,493)
Derivative asset arising from the issuance of CB 2.2	–	2,761	2,761
Liability component on initial recognition, as restated	33,602	26,152	59,754
Interest expense, as restated	1,448	1,361	2,809
Interest accrued, as restated	–	(402)	(402)
Exercise of conversion option	(35,050)	–	(35,050)
Liability component at 1 April 2011, as restated	–	27,111	27,111
Liability component on initial recognition, as restated	–	–	–
Interest expense, as restated	–	2,429	2,429
Interest accrued, as restated	–	(692)	(692)
Liability component at 31 December 2011, as restated	–	28,848	28,848
Liability component at 1 January 2012, as previously stated	–	28,910	28,910
Prior year adjustments	–	(62)	(62)
Liability component at 1 January 2012, as restated	–	28,848	28,848
Interest expense	–	3,502	3,502
Interest accrued	–	(951)	(951)
Gain arising on extinguishment of CB2.2	–	(9,337)	(9,337)
Liability component at 31 December 2012	–	22,062	22,062

32. CONVERTIBLE BONDS *(Continued)*

The Group and the Company *(Continued)*

Note:

(i) Interest charged on CB2.2 was calculated using the effective interest method by applying the effective interest rate of 13.4% per annum to the liability components. The liability component of CB1 and CB3, which are treated as share-based payment transaction, are stated at fair value.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

33. SHARE CAPITAL

		Number of shares			Amount		
	Notes	**As at 31 December 2012 '000**	As at 31 December 2011 '000	As at 1 April 2011 '000	**As at 31 December 2012 HK$'000**	As at 31 December 2011 HK$'000	As at 1 April 2011 HK$'000
Authorised:							
Ordinary shares of HK$0.01 each at beginning of the reporting period		**32,000,000**	8,000,000	2,000,000	**80,000**	80,000	20,000
Increase in authorised capital	(i)	**–**	–	6,000,000	**–**	–	60,000
Subdivision of shares	(ii)	**–**	24,000,000	–	**–**	–	–
Ordinary shares of HK$0.0025 (31 December 2011: HK$0.0025 and 1 April 2011: HK$0.01) each at end of the reporting period		**32,000,000**	32,000,000	8,000,000	**80,000**	80,000	80,000
Issued and fully paid:							
Ordinary shares of HK$0.01 each at beginning of the reporting period		**1,011,892**	252,183	220,731	**2,530**	2,522	2,207
Subdivision of shares	(ii)	**–**	758,919	–	**–**	–	–
Share options exercised	(iii)	**–**	790	1,452	**–**	8	15
Conversion of CB2.1		**–**	–	30,000	**–**	–	300
Issue of shares under the rights issue	(iv)	**505,946**	–	–	**1,265**	–	–
Ordinary shares of HK$0.0025 (31 December 2011: HK$0.0025 and 1 April 2011: HK$0.01) each at end of the reporting period		**1,517,838**	1,011,892	252,183	**3,795**	2,530	2,522

33. SHARE CAPITAL *(Continued)*

Notes:

(i) On 6 August 2010, pursuant to an ordinary resolution passed by the shareholders of the Company at an extraordinary general meeting, the authorised share capital of the Company has been increased from HK$20,000,000, divided into 2,000,000,000 ordinary shares of HK$0.01 each, to HK$80,000,000, divided into 8,000,000,000 ordinary shares of HK$0.01 each.

(ii) Pursuant to a special resolution passed at an extraordinary general meeting of the Company, the Company effected the share consolidation on 31 August 2011, the existing issued and unissued shares of HK$0.01 each in the share capital of the Company was subdivided into four shares of HK$0.0025 each with effective on 1 September 2011.

(iii) Details of the Company's share options scheme and the share options issued under the scheme are included in note 34 to the consolidated financial statements.

(iv) On 4 June 2012, a rights issue on the basis of one rights share for every two existing shares held was completed at a subscription price of HK$0.10 per rights share. A total of 505,945,998 rights shares were issued resulting in gross proceeds of approximately HK$50,595,000 to the Company in connection with the rights issue, issuance cost of HK$521,000 was incurred. The new shares ranked pari passu with the then existing shares in all aspects.

34. SHARE-BASED PAYMENT TRANSACTIONS

(a) Convertible bonds as share-based payment transactions

As set out in note 32, the Company's CB1 and CB3 were issued with fair values substantially higher than the principal amounts and were accounted for as share-based payment transactions. The fair values of CB1 and CB3 were estimated by an external valuer as at the date of issue using the discount model with the following assumptions:

(a) Risk-free interest rate of 1.89% to 1.96%;

(b) Volatility of 43.6% to 49.2%

(c) Discount rate of 13.3% to 15.6%; and

(d) Dividend yield – Nil.

During the year ended 31 March 2011 and the period ended 31 December 2011, share-based payment arising from the issue of convertible bonds of HK$17,200,000 and HK$147,839,000 was charged to the consolidated income statement respectively.

(b) Share Options Scheme

Pursuant to the share options scheme adopted by the Company on 22 October 2001 and a new share options scheme (the "Share Options Scheme") adopted by the Company on 31 August 2011, the directors may at their discretion grant options to (i) any director, employee or consultant of the Group or a company in which the Group holds an equity interest or a subsidiary of such company (an "Affiliate"); or (ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee or consultant of the Group or an Affiliate; or (iv) any person or entity whose service to the Group or business with the Group contributes or is expected to contribute to the business or operation of the Group, to subscribe for shares of the Company during such period as may be determined by the directors of the Company (which shall not be more than ten years from the date of issue of the relevant options).

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Share Options Scheme *(Continued)*

The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Options 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. 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; (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.

The following table discloses movements of the Company's share options held by directors, consultant and employees during the year ended 31 December 2012:

	Number of share options (i)							
Name/category of participants	Adjusted outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted as at 31 December 2012	Date of grant	Exercise period	Adjusted exercise price per share (i)
Category 1: Directors								
Mr. Chui	9,832,653	–	–	–	9,832,653	22 March 2011	22 March 2011 – 21 March 2021	HK$0.447
Mr. Kwok Kwan Hung	357,551	–	–	–	357,551	15 February 2008	15 February 2008 – 14 February 2018	HK$0.738
	1,117,347	–	–	–	1,117,347	7 July 2010	7 July 2010 – 6 July 2020	HK$0.191
	1,430,204	–	–	–	1,430,204	12 August 2010	12 August 2010 – 11 August 2020	HK$0.526
	4,245,918	–	–	–	4,245,918	3 December 2010	3 December 2010 – 2 December 2020	HK$0.477
	11,173,469	–	–	–	11,173,469	5 December 2011	5 December 2011 – 4 December 2021	HK$0.254
Mr. Chan Wai Man	223,469	–	–	–	223,469	15 February 2008	15 February 2008 – 14 February 2018	HK$0.738
	1,117,347	–	–	–	1,117,347	5 December 2011	5 December 2011 – 4 December 2021	HK$0.254
Mr. Law Yee Man, Thomas	446,938	–	–	–	446,938	12 August 2011	12 August 2011 – 11 August 2021	HK$0.392
	670,408	–	–	–	670,408	5 December 2011	5 December 2011 – 4 December 2021	HK$0.254
Mr. Siu Hi Lam, Alick	1,117,347	–	–	–	1,117,347	5 December 2011	5 December 2011 – 4 December 2021	HK$0.254
	31,732,651	–	–	–	31,732,651			

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Share Options Scheme *(Continued)*

Name/category of participants	Number of share options (i) Adjusted outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted outstanding as at 31 December 2012	Date of grant	Exercise period	Adjusted exercise price per share (i)
Category 2: Consultants/employees								
Employees	12,737,755	–	–	–	12,737,755	7 July 2010	7 July 2010 – 6 July 2020	HK$0.191
Employees	9,609,183	–	–	–	9,609,183	9 September 2010	9 September 2010 – 8 September 2020	HK$0.513
Employees	7,151,020	–	–	–	7,151,020	13 September 2010	13 September 2010 – 12 September 2020	HK$0.479
Employees	5,810,204	–	–	–	5,810,204	3 December 2010	3 December 2010 – 2 December 2020	HK$0.477
Consultant	3,575,510	–	–	–	3,575,510	14 December 2007	14 December 2007 – 13 December 2017	HK$0.626
Consultant	5,184,489	–	–	–	5,184,489	12 August 2010	12 August 2010 – 11 August 2020	HK$0.526
Consultant	1,264,836	–	–	–	1,264,836	6 September 2010	6 September 2010 – 5 September 2020	HK$0.443
Consultant	9,832,653	–	–	–	9,832,653	22 March 2011	22 March 2011 – 21 March 2021	HK$0. 447
Total	55,165,650	–	–	–	55,165,650			
Total of all categories	**86,898,301**	**–**	**–**	**–**	**86,898,301**			
Weighted average exercise price	HK$0.402	–	–	–	HK$0.402			

Notes:

(i) Upon the completion of the rights issue on 4 June 2012, the exercise price per share and the number of shares to be issued under the outstanding share options were adjusted as above.

(ii) There were no share options cancelled, lapsed or forfeited during the year ended 31 December 2012.

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Share Options Scheme *(Continued)*

The following table discloses movements of the Company's share options held by directors, consultants and employees during the period ended 31 December 2011:

Name/category of participants	Number of share options					Date of grant	Exercise period	Exercise price per share
	As at 1 April 2011	Granted during the period	Exercised during the period	Lapsed during the period	As at 31 December 2011			
Category 1: Directors								
Mr. Chui	8,800,000	–	–	–	8,800,000	22 March 2011	22 March 2011 – 21 March 2021	HK$0.500
Mr. Kwok Kwan Hung	320,000	–	–	–	320,000	15 February 2008	15 February 2008 – 14 February 2018	HK$0.825
	3,400,000	–	(2,400,000)	–	1,000,000	7 July 2010	7 July 2010 – 6 July 2020	HK$0.213
	1,280,000	–	–	–	1,280,000	12 August 2010	12 August 2010 – 11 August 2020	HK$0.588
	3,800,000	–	–	–	3,800,000	3 December 2010	3 December 2010 – 2 December 2020	HK$0.533
	–	10,000,000	–	–	10,000,000	5 December 2011	5 December 2011 – 4 December 2021	HK$0.284
Mr. Chan Wai Man	200,000	–	–	–	200,000	15 February 2008	15 February 2008 – 14 February 2018	HK$0.825
	180,000	–	(180,000)	–	–	7 July 2010	7 July 2010 – 6 July 2020	HK$0.213
	–	1,000,000	–	–	1,000,000	5 December 2011	5 December 2011 – 4 December 2021	HK$0.284
Mr. Law Yee Man, Thomas (appointed on 12 July 2011)	–	400,000	–	–	400,000	12 August 2011	12 August 2011 – 11 August 2021	HK$0.438
	–	600,000	–	–	600,000	5 December 2011	5 December 2011 – 4 December 2021	HK$0.284
Mr. Siu Hi Lam, Alick	–	1,000,000	–	–	1,000,000	5 December 2011	5 December 2011 – 4 December 2021	HK$0.284
Mr. Leung Chi Kong (retired on 3 August 2011)	200,000	–	–	(200,000)	–	15 February 2008	15 February 2008 – 14 February 2018	HK$0.825
	180,000	–	(180,000)	–	–	7 July 2010	7 July 2010 – 6 July 2020	HK$0.213
	18,360,000	13,000,000	(2,760,000)	(200,000)	28,400,000			

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Share Options Scheme *(Continued)*

Name/category of participants	Number of share options: As at 1 April 2011	Granted during the period	Exercised during the period	Lapsed during the period	As at 31 December 2011	Date of grant	Exercise period	Exercise price per share
Category 2: Consultants/employees								
Employees	11,800,000	–	(400,000)	–	11,400,000	7 July 2010	7 July 2010 – 6 July 2020	HK$0.213
Employees	8,600,000	–	–	–	8,600,000	9 September 2010	9 September 2010 – 8 September 2020	HK$0.573
Employees	6,400,000	–	–	–	6,400,000	13 September 2010	13 September 2010 – 12 September 2020	HK$0.535
Employees	10,000,000	–	–	(4,800,000)	5,200,000	3 December 2010	3 December 2010 – 2 December 2020	HK$0.533
Consultant	3,200,000	–	–	–	3,200,000	14 December 2007	14 December 2007 – 13 December 2017	HK$0.700
Consultant	4,640,000	–	–	–	4,640,000	12 August 2010	12 August 2010 – 11 August 2020	HK$0.588
Consultant	1,132,000	–	–	–	1,132,000	6 September 2010	6 September 2010 – 5 September 2020	HK$0.495
Consultant	8,800,000	–	–	–	8,800,000	22 March 2011	22 March 2011 – 21 March 2021	HK$0.500
Consultant	–	10,000,000	–	(10,000,000)	–	12 August 2011	12 August 2011 – 11 August 2021	HK$0.438
Total	54,572,000	10,000,000	(400,000)	(14,800,000)	49,372,000			
Total of all categories	**72,932,000**	**23,000,000**	**(3,160,000)**	**(15,000,000)**	**77,772,000**			
Weighted average exercise price	HK$0.476	HK$0.354	HK$0.213	HK$0.474	HK$0.451			

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Share Options Scheme *(Continued)*

The fair value of the options granted during the period ended 31 December 2011 was estimated as at the date of grant using the black-scholes option pricing model with the following assumptions:

(a) Risk-free interest rate – the yields to maturity of Hong Kong Exchange Fund Note as at the valuation date with terms to maturity matching with the expected life of the options shares;

(b) Expected volatility of share price – the 3.5 years historical volatility of closing prices of the shares of the companies within the same industry from Bloomberg;

(c) Expected life of share options – 4.5 to 5 years;

(d) Dividend yield – Nil; and

(e) No other feature of the options granted was incorporated into the measurement of fair values.

The variables and assumptions used in computing the fair values of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

No share options were exercised during the year ended 31 December 2012. The 3,160,000 share options exercised during the period ended 31 December 2011 resulted in the issue of 3,160,000 ordinary shares of the Company and new share capital of HK$7,900 and share premium of HK$665,180 (before share issue expenses), as further detailed in note 33 to the consolidated financial statements.

HK$411,000 share options expenses were recognised in profit or loss during the year (During the period ended 31 December 2011: HK$4,168,000, as restated), the corresponding amount has been credited in the share-based payment reserve.

At the end of reporting period, the Company had 86,898,301 share options outstanding under the Share Options Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 86,898,301 additional ordinary shares of the Company and additional share capital of HK$217,246 and share premium of HK$34,701,582.

(c) Warrants

On 4 July 2011, the Company entered into a service agreement (the "Service Agreement") with Mr. Richard Andrew Connell (the "Agent"), to engage him for the provision of business development advisory services and other related services in relation to the deathcare business. Under the Service Agreement, the Company agreed to issue 10,800,000 warrant shares at the exercise price of HK$2.0 per share. As at 31 December 2011, as a result of the share subdivision, the number of the warrants was adjusted to 43,200,000 shares and the exercise price was adjusted to HK$0.50 per share accordingly. During the year ended 31 December 2012, the exercise price was further adjusted to HK$0.333 per share due to the rights issue on 4 June 2012. The warrant period shall come into force from the date of the issue of the warrant shares on 14 July 2011 and shall continue for a period of 5 years therefrom.

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(c) Warrants *(Continued)*

On 21 December 2011, the Company entered into an employment agreement (the "Employment Agreement") with Ms. Ma Pun Sai, Betsy ("Ms. Ma"), to employ her as the director of sales and marketing of one of the Company's subsidiaries. Under the Employment Agreement, the Company issued 30,000,000 warrant shares at the exercise price of HK$0.275 per share on 21 January 2012. Due to the rights issue on 4 June 2012, the exercise price was adjusted to HK$0.184. The warrant period shall come into force from the date of issue of the warrant shares on 12 January 2012 and shall continue for a period of 5 years therefrom.

The following table discloses movements of the Company's warrant shares held by a consultant and an employee during the year ended 31 December 2012:

	Number of warrants (i)						
Name	Adjusted outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Adjusted as at 31 December 2012	Date of grant	Exercise period	Adjusted exercise price per share (i)
Mr. Richard Andrew Connell	64,811,682	–	–	64,811,682	14 July 2011	14 July 2011 – 13 July 2016	HK$0.333
Ms. Ma Pun Sai, Betsy	–	44,928,005	–	44,928,005	21 January 2012	21 January 2012– 20 January 2017	HK$0.184

Note:

(i) Upon the completion of the rights issue on 4 June 2012, the exercise price per share and the number of shares to be issued were adjusted as above.

The following table discloses movements of the Company's warrant shares held by a consultant during the period ended 31 December 2011:

	Number of warrants						
Name	As at 1 April 2011	Granted during the period	Exercised during the period	As at 31 December 2012	Date of grant	Exercise period	Exercise price per share
Mr. Richard Andrew Connell	–	43,200,000	–	43,200,000	14 July 2011	14 July 2011 – 13 July 2016	HK$0.500

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(c) **Warrants** *(Continued)*

In consideration of the performance of the services to be rendered by the Agent, under the Service Agreement, the Company shall: (i) pay to the Agent a fixed remuneration each month during the service periods which can be terminated by either the Company or the Agent upon one month's written notice; and (ii) issue the warrant shares to the Agent. The warrant shares are vested and exercisable in stages during the warrant period in the following manner:

(a) the warrant shares shall not be exercised more than 25% of the total number of warrant shares issued before the date falling on six months after the effective date of 14 July 2011;

(b) the warrant shares shall not be exercised more than 50% of the total number of warrant shares issued before the date falling on twelve months after the effective date of 14 July 2011; and

(c) the warrant shares shall not be exercised more than 75% of the total warrant shares issued before the date falling on twenty four months after the effective date of 14 July 2011;

In consideration of the services to be rendered by Ms. Ma, under the Employment Agreement, the Company shall issue warrant shares to Ms. Ma. The warrant shares are vested and exercisable in stages during the warrant period in the following manner:

(a) Ms. Ma may exercise 10,000,000 warrant shares if one of the Company's wholly-owned subsidiaries, Glory Prospect Limited ("Glory Prospect") is satisfied, in its sole and absolute discretion, that a non-market performance condition of sales target of HK$5,000,000 for the year ended 31 December 2012 has been reached by Ms. Ma and the overall performance of Ms. Ma for the year ended 31 December 2012 is satisfactory;

(b) Ms. Ma may exercise 10,000,000 warrant shares if Glory Prospect is satisfied, in its sole and absolute discretion, that a non-market performance condition of sales target of HK$10,000,000 for the year ending 31 December 2013 has been reached by Ms. Ma and the overall performance of Ms. Ma for the year ending 31 December 2013 is satisfactory; and

(c) Ms. Ma may exercise 10,000,000 warrant shares if Glory Prospect is satisfied, in its sole and absolute discretion, that a non-market performance condition of sales target of HK$15,000,000 for the year ending 31 December 2014 has been reached by Ms. Ma and the overall performance of Ms. Ma for the year ending 31 December 2014 is satisfactory.

The fair value of the warrant shares issued during the year/period was estimated at the date of issue using the black-scholes option pricing model with the following assumptions:

(a) Risk-free interest rate – the yields to maturity of Hong Kong Exchange Fund Note as at the valuation date with terms to maturity matching with the expected life of the warrant shares;

(b) Expected volatility of share price – the 3.5 years historical volatility of closing prices of the shares of the companies within the same industry from Bloomberg;

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(c) Warrants *(Continued)*

(c) Expected life of Warrants – 2 to 4 years;

(d) Dividend yield – Nil; and

(e) No other feature of the warrant shares issued were incorporated into the measurement of fair values.

The variables and assumptions used in computing the fair values of the warrant shares are based on the directors' best estimation. The value of the warrant shares varies with different variables of certain subjective assumptions.

As at 31 December 2012, the Company had 109,739,687 (31 December 2011: 43,200,000) warrant shares outstanding. Furthermore, HK$3,347,000 warrant shares expenses was recognised in profit and loss during the year (During the period ended 31 December 2011: HK$3,933,000, as restated), the corresponding amount has been credited in the warrant shares reserve.

At the end of the reporting period, the Company had 109,739,687 warrants shares outstanding. The exercise in full of the outstanding warrant shares would, under the present capital structure of the Company, result in issue of 109,739,687 additional ordinary shares of the Company and additional share capital of HK$274,239 and share premium of HK$29,574,694.

35. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current year and prior periods are presented in the consolidated statement of changes in equity on pages 39 and 40 of the consolidated financial statements.

(a) Contributed surplus

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

The contributed surplus of the Company arose as a result of capital reorganisation and represents the entire amounts 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 is available for distribution. 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 accounts.

35. RESERVES *(Continued)*

(b) PRC statutory reserve

In accordance with the PRC laws and regulations, PRC companies are required to provide statutory reserve. Statutory reserve is appropriated at 10% from net profits after taxation as reported in the financial statements of the PRC subsidiaries. Provision for the statutory reserve ceases when the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. All statutory reserves are for specific purposes and are not distributed in the form of cash dividends.

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000 (Note 34)	Warrant shares reserve HK$'000 (Note 34)	Convertible bonds equity reserve HK$'000 (Note 32)	Accumulated losses HK$'000	Total HK$'000
At 1 April 2011, as previously stated	42,248	31,713	8,814	–	7,446	(17,495)	72,726
Prior year adjustments with respect to:							
Fair value measurement related to the issuance of CB2.1 and CB2.2 and related adjustment on conversion of CB2.1 (Note 3(a)(i))	25,547	–	–	–	24,193	(1,511)	48,229
Recognition and fair value measurement of CB1 (Note3(c))	–	–	21,789	–	(3,030)	(19,198)	(439)
Fair value measurement and amortisation of warrant shares and share options expenses (Note 3(j))	–	–	764	–	–	(764)	–
At 1 April, 2011, as restated	67,795	31,713	31,367	–	28,609	(38,968)	120,516
Loss for the period	–	–	–	–	–	(166,705)	(166,705)
Issue of a convertible bond	–	–	186,400	–	–	–	186,400
Equity-settled warrant shares arrangement	–	–	–	3,933	–	–	3,933
Employee share options scheme							
Lapse of share options	–	–	(272)	–	–	272	–
Equity-settled share options arrangements	–	–	4,168	–	–	–	4,168
Issue of shares pursuant to the exercise of share options	973	–	(309)	–	–	–	664
At 31 December 2011, as restated	68,768	31,713	221,354	3,933	28,609	(205,401)	148,976

35. RESERVES *(Continued)*

The Company *(Continued)*

	Share premium HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Warrant shares reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012, as previously stated	43,221	31,713	9,961	2,041	52,623	(37,730)	101,829
Prior year adjustments with respect to:							
Fair value measurement related to the issuance of CB2.1 and CB2.2 and related adjustment on conversion of CB2.1 (Note 3(a)(i))	25,547	–	–	–	24,193	(384)	49,356
Recognition and fair value measurement of CB1 (Note 3(c))	–	–	21,789	–	(3,030)	(19,465)	(706)
Recognition and fair value measurement of CB3 (Note 3(d))	–	–	186,400	–	(45,177)	(142,726)	(1,503)
Fair value measurement and amortisation of warrant shares and share options expenses (Note 3(j))	–	–	3,204	1,892	–	(5,096)	–
At 1 January 2012, as restated	68,768	31,713	221,354	3,933	28,609	(205,401)	148,976
Loss for the year	–	–	–	–	–	(20,680)	(20,680)
Rights issue (i)	48,809	–	–	–	–	–	48,809
Equity-settled warrant shares arrangement	–	–	–	3,347	–	–	3,347
Employee share options scheme							
Equity-settled share options arrangement	–	–	411	–	–	–	411
At 31 December 2012	117,577	31,713	221,765	7,280	28,609	(226,081)	180,863

The loss attributable to equity holders of the Company for the year ended 31 December 2012 is dealt with in the financial statements of the Company to the extent of HK$20,680,000 (For the period ended 31 December 2011: HK$166,705,000).

Note:

(i) On 4 June 2012, a rights issue on the basis of one rights share of every two existing shares held was completed at a subscription price of HK$0.10 per share. A total of 505,945,998 rights were issued resulting in gross proceeds of approximately HK$50,595,000 to the company. In connection with the rights issue, issuance cost of HK$521,000 was incurred.

36. FINANCIAL INSTRUMENTS BY CATEGORY

As at 31 December 2012, other than the derivative financial instrument of HK$1,771,000 and the liability components of CB1 and CB3 of HK$18,790,000 and HK$66,773,000 respectively, the other financial instruments are carried at amortised cost.

37. OPERATING LEASES

The Group as lessee

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for terms ranging from one to two years (31 December 2011: One to three years).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000
Within one year	**3,918**	2,233
In the second to fifth years inclusive	**602**	214
	4,520	2,447

Commitment of HK$1,350,000 (2011: HK$1,901,000) is related to operating commitment with a company owned by a director.

38. CAPITAL COMMITMENT

During the year ended 31 December 2012, the Group has entered into a memorandum of understandings to purchase a cemetery located in Beijing. As at 31 December 2012 and 31 December 2011, the Group, the Company and the jointly-controlled entity have the following commitments for capital expenditure contracted for but not provided in the consolidated financial statements:

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000
Capital expenditure in relation to infrastructure of the cemetery	**–**	3,316

39. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed in notes 22 and 25 in the consolidated financial statements, the Group had entered into the following significant related party transactions during the year/period:

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Rent paid to a company owned by a director	**660**	460
Acquisition of a subsidiary from a director	**10**	980
Interest paid to company owned by a director	**1,234**	892
Interest paid to a non-controlling interest	**75**	–

All of the transactions were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

(a) Compensation to key management personnel

The remuneration of directors of the Group during the year/period is as follows:

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Short-term benefits	**6,063**	4,352
Share-based payments	**–**	1,502
	6,063	5,854

The remuneration of directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

39. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other related parties balances and transactions

As at 31 December 2012, amount due from a jointly-controlled entity of approximately HK$18,364,000 (31 December 2011: HK$12,329,000) was unsecured, non-interest bearing and repayable on demand.

Save as disclosed, details of balances and transactions with other related parties at the end of the reporting period/year are set out in note 25 and note 29 to the consolidated financial statements.

40. EVENTS AFTER THE REPORTING PERIOD

(a) On 16 January 2013, Forrex (Holding) Inc. ("Forrex") who jointly controls EIHI with Grand Creation Investments Limited ("Grand Creation"), a wholly own subsidiary of the Company, has given an unconditional irrevocable undertaking (the "Undertaking") in favour of Grand Creation pursuant to which Forrex shall vest to Grand Creation all of the voting rights enjoyed by Forrex in respect of its 50% equity interest in EIHI from time to time. The Undertaking shall be valid for a term of three years and subject to further review of the terms of the Undertaking therein upon renewal. Upon the execution of this Undertaking, the Group has the power to govern the financial and operating policies of EIHI whereby the Group has to account for such transaction as a business combination. At the date of this report, the Group is yet to obtain all necessary information, accordingly, certain disclosures in relation to the business combination as at the date of the Undertaking, such as the fair value of net assets acquired has not been presented in these consolidated financial statements.

(b) On 9 April 2013, the Company entered into a loan agreement with Mr. Chui whereby Mr. Chui agreed to provide a loan of HK$20,000,000 to the Company with interest bearing of 19% per annum and it is repayable after one year. Although the loan can be demanded for early repayment if there is any fund raised (either in a form of debt or equity financing) by the Company for any amount of net proceeds of not less than HK$20,000,000, the fund raised by the Company must not have any conditions which require the Company to repay the fund raised within twelve months from the date of the loan agreement entered between Mr. Chui and the Company.

Five Years Financial Highlights

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

	31 December 2012 HK$'000	31 December 2011 HK$'000 (Restated)	31 March 2011 HK$'000 (Restated)	31 March 2010 HK$'000	31 March 2009 HK$'000
Revenue	**16,869**	7,132	66,099	49,108	68,869
Loss attributable to owners of the Company	**(45,327)**	(182,386)	(62,090)	(9,840)	(36,136)
Total assets	**435,168**	414,503	345,399	27,268	193,815
Total liabilities	**(219,496)**	(207,745)	(173,639)	(18,049)	(174,775)
Net assets	**215,672**	206,758	171,760	9,219	19,040

Notes:

(i) The results and assets and liabilities of the Group for the year ended 31 December 2012 have been extracted from the consolidated income statement and consolidated statement of financial position as set out on pages 34 and 36 to 37 respectively of the accompanying consolidated financial statements.

(ii) The financial summary of the Group is for information only and does not form part of the audited consolidated financial statements.