仁智 SAGE

Sage International Group Limited

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

Stock Code: 8082

Benevolence Innovation

Annual Report 2013

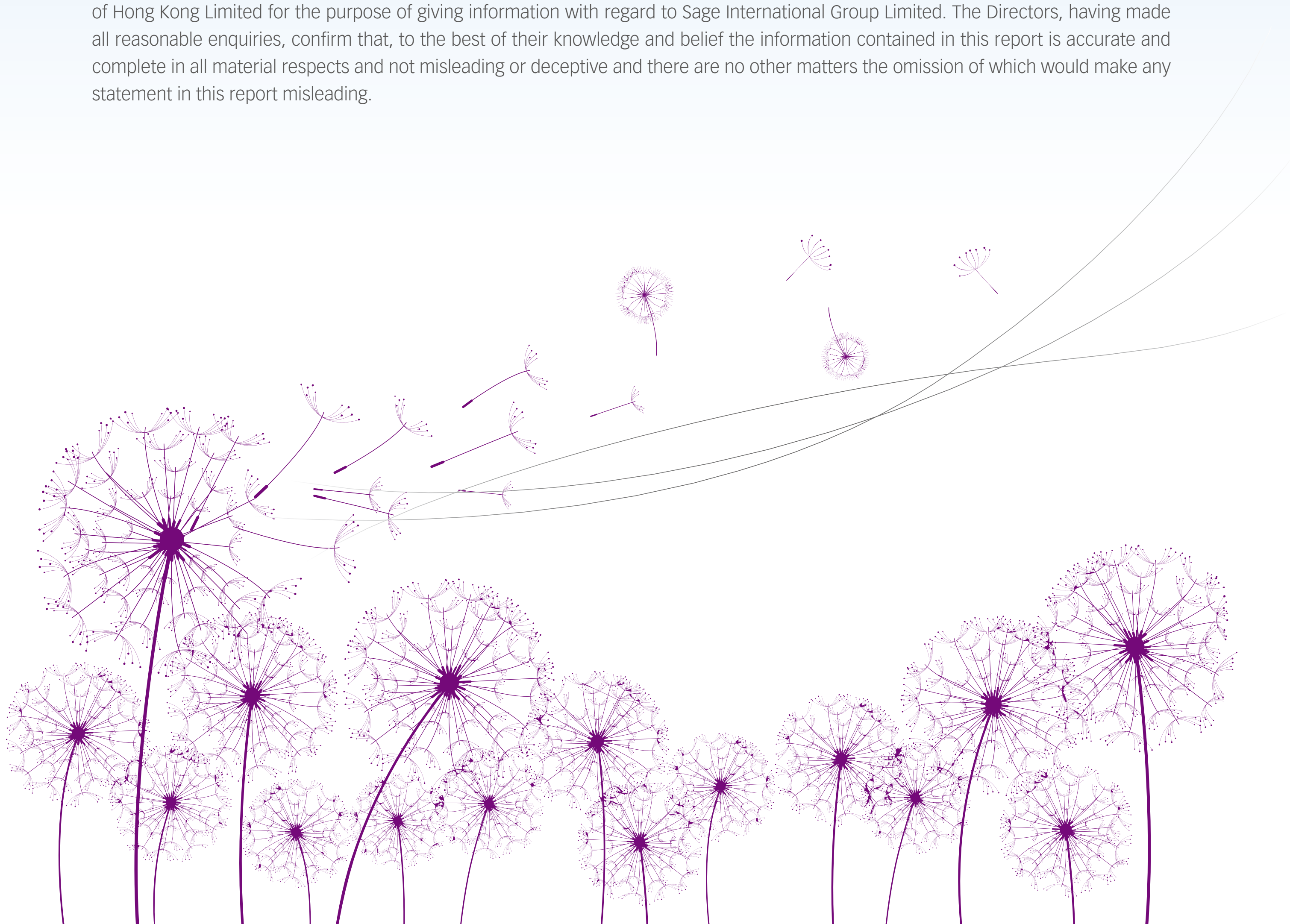
CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.



Contents

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.

SAGE is committed to revolutionize the deathcare industry through innovative thinking and aiming at becoming a leading provider of deathcare services in the region. We aspire to have our brand be synonymous with the regional deathcare industry.

SAGE foresees the unique opportunity that deathcare industry remains one of the most profitable yet untapped sectors in this 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.


仁智 國際集團有限公司
SAGE INTERNATIONAL GROUP LIMITE


Faith


SAGE 8082
仁智


SAGE

Sage at a glance

2013

April

Movie Night with Sage Dignity Club members and awarded "Caring Company" by Hong Kong Council of Social Service

April & December

Pets Expo

May

Asia Funeral and Awards Expo

May

Hong Kong Senior Fair Expo

August

Ferry Trip With Sage Dignity Club members

October

Fine Dying Events for funeral and preplanning education

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

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's 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

CONTACT INFORMATION

Tel: +852 3150 8082
Fax: +852 3150 8092
Email: ir@sig.hk
Website: www.sig.hk
www.sagefuneral.com

Funeral Services

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

I am pleased to present the Group's annual report for the financial year ended 31 December 2013.

Financial Year 2013 has been a challenging yet ultimately rewarding one. After few years of business acquisitions and operation expansion in the deathcare industry since 2010, we are proud and grateful to see the Group's brand and its deathcare services and products become well-recognized by the customers and business partners in Hong Kong, China and Asia. Revenue and operating scale of Hong Kong segment increased continuously during the year by more than threefold. Thanks to our professional team's effort, Sage is one of the AFE (Asia Funeral Expo) award recipients in 2013 Expo. We received two awards, namely, Corporate Social Responsibility Award and Marketing Strategy Award. In addition, we were also awarded "Caring Company" by the Hong Kong Council of Social Service for our corporate social responsibility practices. After a few years of intense business development, we have successfully launched innovative deathcare products, including pre-arranged funeral services, Sage Gem Stone processing technology and, recently, one stop interment space and niches distribution. I believe all these developments are in line with international best practices and would be popular among the Chinese communities in Hong Kong and China. We also introduced tailor-made POS system and modern Mercedes hearse for our funeral operation to differentiate Sage from other traditional funeral undertakers. Moreover, we were the 2013 service provider of the Food, Environmental and Health Department of the Hong Kong government in sea burial

Chairman's Statement

services to the public and this demonstrated our commitment and ability in providing high quality services to general public in an eco-friendly way. All these proved that we have already set up a solid deathcare sales and distribution network for future business growth in local, PRC and international markets.

On the other hand, the revenue and operating scale for the PRC cemetery business also experienced a significant growth during the year. However, the Group are still facing challenges that the business grew at a slower pace than originally expected which led to the necessity for a significant non-cash impairment loss of approximately HK$230 million (out of which HK$88.8 million was attributable to the Group) of the cemetery assets use rights. In summary, the major reasons for such impairment are delay in development progress and intense local competition for operating cemetery in Suzhou and Shanghai. Also, there was a delay in government approval of new cemetery development in Guangdong which consequently caused a deferral of its sales revenue and growth. Therefore, the Board has undertaken careful evaluation on this and implemented appropriate measures to improve the current situation. Under this situation, the Company is now pursuing appropriate ways to improve its business model by streamlining its operation and capital structure. A proposal for disposal of the Group's cemetery assets is under negotiation with connected persons and the Company will inform the shareholders in accordance with relevant rules and regulations once a concrete plan has been reached.

Sage is now at its second stage of development and we shall focus on consolidating and streamlining of the current business model while extending our business growth that plays to our strengths through our developed network. Our commitment to become the leader of the deathcare industry in the region remains intact. The Group will keep developing innovative products, promoting continuous public education, leveraging technology and human capital assets to revolutionize this industry. Given the increasing demand for customer service and product innovation, we believe transformation and integration of deathcare industry has just begun in this region and the momentum is irreversible. I am confident that Sage will be benefited significantly from this process.

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

Chui Bing Sun
Chairman


Preneed
Funeral Plans

Management Discussion and Analysis

FINANCIAL AND OPERATION REVIEW

As at 31 December 2013, we have two licensed funeral undertaking shops in Hong Kong, three cemeteries, one funeral parlour, and one crematorium in China. Our operations are managed across three main areas: cemeteries management and operation, funeral services, and preneed funeral plans.

For the year ended 31 December 2013, the revenue of the Group has increased by 305.50% to approximately HK$39,427,000 (31 December 2012: HK$9,723,000). With the amount of approximately HK$19,957,000 (31 December 2012: nil) was generated from the sales of cemetery plots in the PRC, and HK$19,470,000 (31 December 2012: HK$9,723,000) was derived from the provision of funeral services in Hong Kong and cremation services in the PRC during the year. The significant increase in revenue was mainly due to the effect of a 100% full consolidation of the results of Era Investment (Holding) Inc. ("EIHI"), a previous joint venture of the Group, following an unconditional irrevocable undertaking (the "Undertaking") provided by Forrex (Holding) Inc. ("Forrex"), a joint venturer of EIHI, on 16 January 2013, in favour of Grand Creation Investments Limited ("Grand Creation"), a wholly owned subsidiary of the Company.

Pursuant to the Undertaking, 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. Following the Undertaking, EIHI, which hold a 75% interests in Suzhou Cemetery, become a subsidiary of the Group. In corresponding prior year, the 50% of the results of EIHI was accounted for under the equity method. Apart from the effect of the Undertaking, the increase of revenue was also explained by rise of provision of funeral services in Hong Kong during the year.

For the year ended 31 December 2013, the Group recorded a gross loss (including the exceptional loss on impairment of cemetery assets use rights of HK$230 million) of approximately HK$215,917,000 (31 December 2012: gross profit of HK$6,890,000). If the impairment loss was excluded, the Group recorded a positive figure of approximately HK$14,243,000 and the overall gross profit margin calculated on this basis was 36.12% (31 December 2012: 70.86%). Decrease in margin is due to the fact that there is more funeral services income generated for this year with relatively lower gross margin. The loss for the year ended 31 December 2013 was approximately HK$249,706,000 while there was approximately HK$45,417,000 of loss incurred for the year ended 31 December 2012. The significant increase in loss for the year was due to the impairment loss on the cemetery assets use rights of approximately HK$230,160,000, impairment loss on the property plant and equipment of approximately HK$11,193,000 and fair value loss of financial instruments of approximately HK$11,772,000, respectively. All these items are non-cash items.

Sales and marketing expenses

Sales and marketing expenses for 2013 were HK$14,769,000, which have increased significantly from HK$3,296,000 in prior year. The expenses were mainly associated with respective sales and marketing staff costs, sales commission for funeral services in Hong Kong and China and corporate marketing promotion events such as the Senior Fair Exhibition held at Hong Kong Convention and Exhibition Center.

Such increase in marketing expense is to boost the sales in the initial set up stage and this effort will gradually be reduced in the following year after the sales platform has been set up almost completely in 2013.

Administrative expenses

Administrative expenses have increased from HK$42,848,000 in 2012 to HK$60,636,000 in 2013. The administrative expenses comprised mainly of the Director's remuneration, staff costs, premises expenses and other corporate expenses. The increase is in line with the increase in the Group's activities during the year.

Finance income and costs

For the year ended 31 December 2013, the finance income of the Group was approximately HK$375,000 (31 December 2012: HK$8,909,000). Prior year finance income relates to the gain arising on extinguishment of a convertible bond. Finance costs for 2013 were HK$8,970,000, representing an increase of 146.23% over HK$3,643,000 for 2012. The increment mainly derived from the interest expense on other additional borrowings for financing the working capital of the Group during the year which interest rate is relatively high from 15% to 19% per annum.

Operation review – Hong Kong

The Group's business plan was actively deployed during the year and new funeral service package and innovative products such as Sage Eternity Gem and preneed services contracts were launched. At the same time, exhibition, promotion and networking activities were also carried out actively during the year. The Group was also the sole service provider for sea burial of the Hong Kong Government during the year. Moreover, the Group participated in several exhibition and expositions in Hong Kong to promote its funeral and related products and services. It is also the winner of two awards in the Asia Funeral Expo held in Hong Kong and is a "Caring Company" awarded by the Hong Kong Council of Social Services. Strategies and actions for developing customer loyalty and awareness were developed and rolled out accordingly in the coming year. The Group also continues its collaboration with regional non-governmental organisations, corporate partners and industry players to develop innovative products, distribution network and services for families in needs. The Group also invested and equipped with modernized funeral services facilities like a brand new Mercedes hearse, POS and CRM system to ensure high quality of services were delivered.

The Board is satisfied with the current development of the Hong Kong Funeral Business and is expecting a more solid and fruitful result will be achieved in the upcoming years due to a good foundation was being setting up.

Operation review – China

The Group's major operating cemetery asset is Suzhou Celebrities which was held by EIHI and EIHI became a 50% subsidiary of the Group at the beginning of 2013. Active marketing and sales plans of Suzhou Celebrities have been implementing since the early of 2013 to boost the sales. The management also organised exhibitions and promotion campaigns in Suzhou and Shanghai regions and reached out to a number of potential customers during the year. However, during the ongoing monitoring, it was noted that the actual revenue growth is behind management's expectation as compared to the business plan originally formulated at the beginning of 2013. It is estimated that a longer time frame will be necessary for building up customer loyalty and awareness that will generate a more significant sales growth. Moreover, the growth of average selling price of the burial unit in the local region also experienced pressure during the year due to the slow down of the economy of the local market. The management has revised the sales and operation plan in the second half of the year and there has been gradual improvement in the result in the final quarter. However, the actual performance during the last quarter is still behind the revised budget. For this reason, an impairment of HK$226 million is necessary to be made for the year ended 31 December 2013 for this intangible asset. Such loss is a non-cash item and do not have a direct impact on the Group's operation and cashflow.

Despite the plan for setting up the cemetery in 2012, cemetery in Huaiji only obtained all its relevant approvals and started marketing and sales of interments rights in September 2013 due to delay in government approval process. For this reason, the overall sales generated from this cemetery were also less than the budget planned at the beginning of 2013. For this reason, impairment loss of HK$4 million was also made.

Besides, also due to delay in government approval and lengthened procedures relating to construction work, cemetery in Bijie is still under progress and actual sales activities will not be expected to be achieved shortly. The Group will closely monitor this development.

After reviewing all these recent developments, the Group expects a longer payback period for its cemetery assets and the related cash flow expected to be generated from these cemetery assets may also be deferred as compared to the original plan set in early 2013. Suitable measures including disposal of the cemetery assets and restructuring of business model are under consideration to monitor impact of such development. Moreover, appropriate integration and restructuring on the operation of the funeral and cemetery operation will be done to improve operating efficiency.

Prospects

The Board still sees the huge potential of the market demand in funeral services and products and its view on the positive long-term outlook of regional deathcare industry remain intact. With the experience and market knowledge gained by the Group over the past years in the deathcare industry, the Group is in its second stage of development in this industry. Under the framework, the Board is pursuing to improve the business model and streamline its operating structure and a "light asset mode" may be adopted to reduce the financial and operating burden of the Group. This will be achieved by leveraging its technology knowhow, existing network and human capital resources established in the funeral industry. Also, suitable resources will also be allocated to international business development. Moreover, in order to provide a strong capital structure for a long term development in the deathcare sector, the Group will continue to seek any suitable opportunities in fund raising or means to improve the existing capital and debt structure.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group has cash and bank balances of approximately HK$8,426,000 (as at 31 December 2012: HK$11,260,000) and the total assets of the Group were HK$490,873,000 (as at 31 December 2012: HK$285,507,000). The net current assets of the Group were HK$69,475,000 (as at 31 December 2012: HK$58,398,000) and the Group's current ratio, which represents the current assets over its current liabilities, was 2.24 times (as at 31 December 2012: 5.63 times). The Board is aware of the fact that the financial position of the Group is becoming less favourable due to the continuing operating loss during the year and therefore new borrowings were secured by the Group for financing its working capital. The gearing ratio of the Group as at 31 December 2013 (as calculated by the total interest bearing debts of HK$68,490,000 over equity attributable to the owners of the Company of HK$35,151,000) is 194.85% (2012: 29.54%). Under this situation, the Company will consider suitable ways to improve the high gearing financial position.

INVESTMENT POSITION AND PLANNING

The Group will continuously undertake research and identify potential deathcare related investment opportunities to enhance its investment portfolio.

INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

Except for details of the Business Combination set out in note 33 to the consolidated financial statements, the Group had not made any material acquisition or disposal during the year.

CURRENCY RISK EXPOSURE

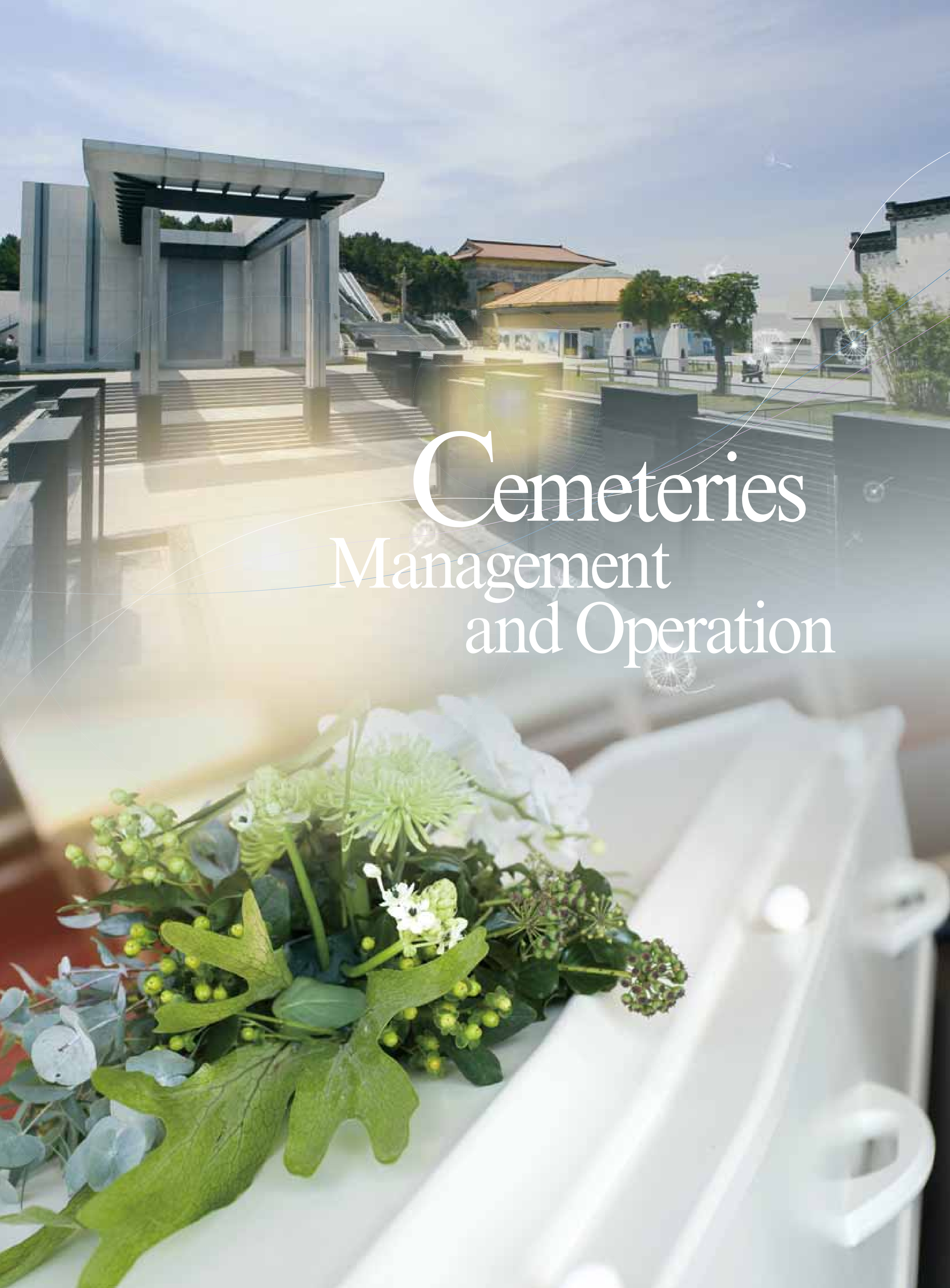
As at 31 December 2013, the Group had no material exposure to foreign exchange risk. The majority of the Group's assets were denominated in its functional currency of either Hong Kong Dollars or Renminbi. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the Group will monitor its currency exposure and elect to hedge its currency risk when appropriate.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group had 125 employees and including Directors (31 December 2012: 93). Total staff costs for the year ended 31 December 2013, including Directors' remuneration, amounted to approximately HK$25,985,000 (31 December 2012: approximately HK$18,479,000). The Group's employees remuneration packages are mainly on the basis of individual performance and experience and also having industry practice, which include basic wages and performance related bonuses. The Group also provides provident fund schemes and medical insurance scheme for its employees. The Company also grants share options to the Directors and eligible employees. Details of the Share Options Scheme are set out in note 31(b) to the consolidated financial statements.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets and the Group did not have any significant contingent liabilities for the year ended 31 December 2013.



Cemeteries Management and Operation

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 a high standard of corporate governance that can properly protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company.

The Company's corporate governance practices (the "Principles") and code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Board has approved the adoption of the revised CG code effective from 1 April 2012.

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 2013.

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 2013, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three Independent Non-Executive Directors. The composition of the Board reflects the necessary balanced skills and experience for effective leadership. The profiles of each Director are set out in the "Biographical Details of Directors and Senior Management" section in this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 is 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 the RC is to oversee board remuneration matters, including making recommendation to 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") with specific terms of reference which deals clearly with its authorities and duties. The NC is 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 policies and making recommendations to the Board on nominations, appointment of Directors and Board succession. The NC 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 NC 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 the 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 authorised 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 2013 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 DIRECTORS

Details of Directors' attendance at the Board meetings, meetings of Board committees and general meetings held in 2013 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)	9/9	N/A	N/A	N/A	1/1
Mr. Kwok Kwan Hung	10/10	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Chan Wai Man	11/11	1/1	2/2	4/4	0/1
Mr. Law Yee Man, Thomas	11/11	1/1	2/2	4/4	1/1
Mr. Siu Hi Lam, Alick	11/11	1/1	2/2	4/4	1/1

AUDITOR'S REMUNERATION

The consolidated financial statements of the Company for the year ended 31 December 2013 have been audited by PricewaterhouseCoopers. During the year, remuneration of approximately HK$1,450,000 (31 December 2012: HK$1,450,000) and HK$350,000 (31 December 2012: nil) was paid and payable for the provision of audit services and non-audit services respectively.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 December 2013 is set out below:

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

Newly appointed Director will be briefed and updated to ensure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities 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 the Annual General Meeting ("AGM") after their appointment and thereafter at least once every three years in accordance with the Bye-laws of the Company.

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

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

CORPORATE 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 2013 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 delivering the Group's objective.

ACCOUNTABILITY AND AUDIT

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

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, price-sensitive announcements and other disclosures required under the 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 2013, 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 28 to 29 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 facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and is appointed by the Board. Although the Company Secretary reports to the Chairman, all Directors may call upon for advice and assistance at any time in respect to their duties and the effective operation of the Board and the Board Committees. The Company Secretary also plays an essential role in the relationship of the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the GEM Listing Rules.

The Company does not engage an external service provider as its company secretary. Mr. 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 2013.

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, 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 2013 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 37, 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 48, 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 also oversees the operation and control function of Hong Kong business. Mr. Kwok has 25 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 48, joined the Group on 23 November 2007 and is a member of the Institute of Chartered Accountants in England and Wales and also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Chan has experiences in auditing, taxation and finance. Mr. Chan is currently an independent non-executive director of Bestway International Holdings Limited (stock code: 718).

Mr. Law Yee Man, Thomas ("Mr. Law"), aged 56, 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 59, 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 59, 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 48, 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 organisations. 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 47, is the director of Suzhou Celebrities Cemetery Industry Co., Limited ("Suzhou Celebrities"), currently a non-wholly owned 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. 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 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 19 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 2013 are set out in note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement on page 30. The Directors do not recommend the payment of a dividend for the year ended 31 December 2013 (31 December 2012: 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 132 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2013 is set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year ended 31 December 2013 in the share capital of the Company are set out in note 30 to the consolidated financial statements.

During the year ended 31 December 2013, 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 2013.

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2013 are set out in note 32 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. Chui Bing Sun and Mr. Chan Wai Man 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 2013, 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 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	33,494,489	34,154,489	2.25%
Mr. Law Yee Man, Thomas	Personal	4	400,000	1,117,346	1,517,346	0.10%
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.

Directors' Report

(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 2013.

(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 2013 were as follows:

	Number of share options							
Name/Category of participants	Outstanding as at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding and exercisable as at year ended 31 December 2013	Date of grant	Exercise period	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
	–	15,170,000	–	–	15,170,000	18 January 2013	18 January 2013 – 17 January 2023	HK$0.118
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
Sub total	31,732,651	15,170,000	–	–	46,902,651			

Directors' Report

Name/Category of participants	Number of share options: Outstanding as at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding and exercisable as at year ended 31 December 2013	Date of grant	Exercise period	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
Sub total	55,165,650	–	–	–	55,165,650			
Total	**86,898,301**	**15,170,000**	**–**	**–**	**102,068,301**			

The closing price of the Company's share immediately before 18 January 2013, the date of grant of the 2013 options, was HK$0.113.

There were no share options cancelled, lapsed or forfeited during the year ended 31 December 2013.

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

As at year ended 31 December 2013, the following shareholders (including Directors) had interests or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO"), were as follows:

Number of ordinary shares and underlying shares beneficially held

Name	**Capacity**	*Notes*	**Number of shares**	**Number of underlying shares**	**Total number of shares and underlying shares held**	**Long/ short position**	**Percentage of interests**
New Brilliant	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		248,076,441	–	248,076,441	Long	16.34%
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 shares, representing (i) 696,414,512 shares and underlying shares in respect of the convertible bonds issued by the Company to New Brilliant 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 into between AXA and New Brilliant, pursuant to which AXA Direct was required 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 a maximum principal amount US$3,125,000 that was 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 Era Investment (Holding) Inc. ("EIHI"), which is classified as a subsidiary of the Company for the year ended 31 December 2013.

7. The 3% convertible bond of the Company in the principal amount of HK$30,750,000 was held by Forrex ("Forrex CB"), which is 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. ("EIHI"), which classified as a subsidiary of the Company for the year ended 31 December 2013.

   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.

   On 16 January 2013, 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. Upon the execution of this Undertaking, the Group has the power to govern the financial and operating policies of EIHI and considered as a non-wholly owned subsidiary of the Group thereafter.

Save as disclosed above, as at 31 December 2013, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the options holdings, the warrants and the convertible bonds disclosed above, at no time during the year ended 31 December 2013 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 37 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 2013 or at any time during the year.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in note 2.21 to the consolidated financial statements.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year ended 31 December 2013.

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 2013 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 in companies which are engaging in deathcare and related business in China. As such, the Board believes that Mr. Chui may, in some respects, be regarded 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 31(b) to the consolidated financial statements.

COMMITMENTS

Details of operating leases commitment and capital commitment are set out in notes 35 and 36, 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 2013, the Group made charitable and other donations amounting to approximately HK$10,000 (31 December 2012: HK$50,000).

AUDITOR

During the year ended 31 December 2012. Messrs Parker Randall CF (H.K.) CPA Limited resigned as auditor of the Company and Messrs. Pricewaterhouse 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 10 March 2014, the Company entered into a loan agreement for a revolving facilities of up to HK$50 million with an independent third party, the loan is unsecured and interest bearing of 12% per annum and the facilities line is available for 2 years from the date of the loan agreement.

On behalf of the Board

Chui Bing Sun
Chairman

14 March 2014

Independent Auditor's Report

pwc 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 30 to 131, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

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 judgment, 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 2013, 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, 14 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Notes	**Year ended 31 December 2013 HK$'000**	Year ended 31 December 2012 HK$'000 (Restated) (Note 2.1)
Revenue	5	**39,427**	9,723
Cost of sales	7		
– Impairment loss on cemetery assets use rights		**(230,160)**	–
– Others		**(25,184)**	(2,833)
Gross (loss)/profit		**(215,917)**	6,890
Other income	6(a)	**1,795**	893
Other losses, net	6(b)	**(11,174)**	(9,236)
Sales and marketing expenses	7	**(14,769)**	(3,296)
Administrative expenses	7		
– Impairment loss on property, plant and equipment		**(11,193)**	–
– Share-based payment		**(1,978)**	(3,758)
– Others		**(47,465)**	(39,090)
Operating loss		**(300,701)**	(47,597)
Finance income	11	**375**	8,909
Finance costs	11	**(8,970)**	(3,643)
		(309,296)	(42,331)
Share of loss of a joint venture	17	**–**	(2,690)
Loss before taxation	7	**(309,296)**	(45,021)
Income tax credit/(expense)	12	**59,590**	(396)
Loss for the year		**(249,706)**	(45,417)
Loss attributable to:			
Owners of the Company		**(130,332)**	(45,327)
Non-controlling interests		**(119,374)**	(90)
		(249,706)	(45,417)
Loss per share attributable to owners of the Company during the year (expressed in HK$ per share)	14		
– Basic		**HK$(0.086)**	HK$(0.034)
– Diluted		**HK$(0.086)**	HK$(0.034)

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated) (Note 2.1)
Loss for the year	**(249,706)**	(45,417)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**3,049**	357
Total comprehensive loss for the year	**(246,657)**	(45,060)
Total comprehensive loss for the year attributable to:		
Owners of the Company	**(127,826)**	(45,012)
Non-controlling interests	**(118,831)**	(48)
	(246,657)	(45,060)

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated) (Note 2.1)	As at 1 January 2012 HK$'000 (Restated) (Note 2.1)
Assets				
Non-current assets				
Property, plant and equipment	15	**51,317**	35,453	12,543
Intangible assets	16	**29,266**	13,189	10,433
Interest in a joint venture	17	**–**	140,048	142,738
Cemetery assets use rights	18	**260,092**	–	–
Deposits for non-current assets	21	**24,848**	25,812	27,741
		365,523	214,502	193,455
Current assets				
Inventories	20	**113,836**	11,886	12,083
Prepayments, deposits and other receivables	21	**2,505**	9,360	1,103
Balance with a joint venture	22	–	36,728	24,658
Derivative financial instrument	23	**583**	1,771	2,461
Cash and cash equivalents	24	**8,426**	11,260	32,045
		125,350	71,005	72,350
Liabilities				
Current liabilities				
Trade payables	25	**1,132**	353	428
Loan from a non-controlling interest	22	**2,535**	–	–
Other payables and accruals	26(a)	**25,211**	12,254	5,399
Deferred income	26(b)	**154**	–	–
Other borrowings	28	**26,843**	–	–
Convertible bonds				
– not classified as share-based payment transactions	29	**–**	–	28,848
		55,875	12,607	34,675
Net current assets		**69,475**	58,398	37,675
Total assets less current liabilities		**434,998**	272,900	231,130

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	**As at 31 December 2013 HK$'000**	As at 31 December 2012 HK$'000 (Restated) (Note 2.1)	As at 1 January 2012 HK$'000 (Restated) (Note 2.1)
Non-current liabilities				
Other payables and accruals	26(a)	**–**	1,076	–
Deferred income	26(b)	**2,487**	–	–
Deferred income tax liabilities	27	**83,716**	5,321	4,894
Other borrowings	28	**40,252**	–	–
Convertible bonds	29			
– classified as share-based payment transactions		**96,148**	85,564	76,131
– not classified as share-based payment transactions		**24,393**	22,062	–
		246,996	114,023	81,025
Net assets		**188,002**	158,877	150,105
Equity				
Capital and reserves				
Share capital	30	**3,795**	3,795	2,530
Reserves	32	**31,356**	134,482	126,927
Equity attributable to owners of the Company		**35,151**	138,277	129,457
Non-controlling interests		**152,851**	20,600	20,648
		188,002	158,877	150,105

Chui Bing Sun
Director

Kwok Kwan Hung
Director

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

Statement of Financial Position

At 31 December 2013

	Notes	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries	19	**78**	78
Amounts due from subsidiaries	19	**256,952**	296,988
		257,030	297,066
Current assets			
Other receivables		**100**	1
Derivative financial instrument	23	**583**	1,771
Cash and cash equivalents	24	**949**	691
		1,632	2,463
Liabilities			
Current liabilities			
Other payables and accruals	26(a)	**8,612**	7,193
Other borrowings	28	**25,000**	–
Amounts due to subsidiaries	19	**–**	52
		33,612	7,245
Net current liabilities		**(31,980)**	(4,782)
Total assets less current liabilities		**225,050**	292,284
Non-current liabilities			
Convertible bonds	29		
– classified as share-based payment transactions		**96,148**	85,564
– not classified as share-based payment transactions		**24,393**	22,062
		120,541	107,626
Net assets		**104,509**	184,658
Equity			
Capital and reserves			
Share capital	30	**3,795**	3,795
Reserves	32	**100,714**	180,863
		104,509	184,658

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

For the year ended 31 December 2013

	Attributable to owners of the Company											
	Share capital HK$'000 (Note 30)	Share premium HK$'000	Contributed surplus HK$'000 (Note 32)	Exchange reserve HK$'000	Option deed HK$'000	Share-based payment reserve HK$'000 (Note 31)	Warrant shares reserve HK$'000 (Note 31)	Convertible bonds equity reserve HK$'000 (Note 29)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012 (As previously stated)	2,530	68,768	31,713	8,575	19	221,354	3,933	28,609	(227,830)	137,671	69,087	206,758
Change in accounting policy (Note 2.1)	–	–	–	(8,214)	–	–	–	–	–	(8,214)	(48,439)	(56,653)
At 1 January 2012 (Restated)	2,530	68,768	31,713	361	19	221,354	3,933	28,609	(227,830)	129,457	20,648	150,105
Loss for the year (Restated)	–	–	–	–	–	–	–	–	(45,327)	(45,327)	(90)	(45,417)
Other comprehensive loss for the year (Restated)												
Exchange differences on translation of foreign operations	–	–	–	315	–	–	–	–	–	315	42	357
Total comprehensive loss for the year (Restated)	–	–	–	315	–	–	–	–	(45,327)	(45,012)	(48)	(45,060)
Rights issue	1,265	48,809	–	–	–	–	–	–	–	50,074	–	50,074
Employee share option scheme												
Equity-settled share options arrangement	–	–	–	–	–	411	–	–	–	411	–	411
Equity-settled warrant shares arrangement	–	–	–	–	–	–	3,347	–	–	3,347	–	3,347
At 31 December 2012 (Restated)	3,795	117,577	31,713	676	19	221,765	7,280	28,609	(273,157)	138,277	20,600	158,877

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company											
	Share capital HK$'000 (Note 30)	Share premium HK$'000	Contributed surplus HK$'000 (Note 32)	Exchange reserve HK$'000	Option deed HK$'000	Share-based payment reserve HK$'000 (Note 31)	Warrant shares reserve HK$'000 (Note 31)	Convertible bonds equity reserve HK$'000 (Note 29)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013 (Restated)	3,795	117,577	31,713	676	19	221,765	7,280	28,609	(273,157)	138,277	20,600	158,877
Loss for the year	–	–	–	–	–	–	–	–	(130,332)	(130,332)	(119,374)	(249,706)
Other comprehensive loss for the year												
Exchange differences on translation of foreign operations	–	–	–	2,506	–	–	–	–	–	2,506	543	3,049
Total comprehensive loss for the year	–	–	–	2,506	–	–	–	–	(130,332)	(127,826)	(118,831)	(246,657)
Change from a joint venture to a subsidiary	–	–	–	22,722	–	–	–	–	–	22,722	251,082	273,804
Employee share option scheme												
Equity-settled share options arrangement	–	–	–	–	–	763	–	–	–	763	–	763
Equity-settled warrant shares arrangement	–	–	–	–	–	–	1,215	–	–	1,215	–	1,215
At 31 December 2013	3,795	117,577	31,713	25,904	19	222,528	8,495	28,609	(403,489)	35,151	152,851	188,002

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated) (Note 2.1)
Operating activities		
Loss before taxation	**(309,296)**	(45,021)
Adjustments for:		
Share of loss of a joint venture	**–**	2,690
Depreciation of property, plant and equipment	**4,239**	1,639
Amortisation of cemetery assets use rights included in cost of sales	**13,632**	–
Amortisation of software license	**9**	–
Amortisation of deferred income	**(195)**	–
Impairment loss on cemetery assets use rights	**230,160**	–
Impairment loss on intangible assets	**–**	629
Impairment loss on property, plant and equipment	**11,193**	–
Equity-settled share options expenses	**763**	411
Equity-settled warrant shares expenses	**1,215**	3,347
Fair value changes on financial instruments	**11,772**	9,270
(Gain)/loss on disposal of property, plant and equipment	**(309)**	663
Gain on disposal of a subsidiary	**(135)**	–
Gain on change from a joint venture to a subsidiary	**(463)**	–
Finance income	**(375)**	(8,909)
Finance costs	**8,970**	3,643
Income tax paid	**(91)**	–
Operating cash flows before movements in working capital	**(28,911)**	(31,638)
(Increase)/decrease in inventories	**(3,964)**	197
Decrease/(increase) in prepayments, deposits and other receivables	**6,958**	(8,050)
Increase in balance with a joint venture	**–**	(12,070)
Increase/(decrease) in trade payables	**779**	(75)
Increase in other payables and accruals	**127**	6,902
Increase in deferred income	**2,757**	–
Cash used in operations	**(22,254)**	(44,734)
Interest received	**581**	217
Interest paid	**(4,290)**	(300)
Net cash used in operating activities	**(25,963)**	(44,817)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated) (Note 2.1)
Investing activities		
Purchase of property, plant and equipment	**(4,004)**	(9,432)
Proceeds from disposal of property, plant and equipment	**722**	–
Proceeds from disposal of a subsidiary (Note 19)	**3,800**	–
Deposit for land use rights	**(1,488)**	(13,574)
Acquisition of a subsidiary	**–**	(429)
Change from a joint venture to a subsidiary (Note 33)	**568**	–
Additions to intangible assets	**–**	(2,900)
Net cash used in investing activities	**(402)**	(26,335)
Financing activities		
Proceeds from rights issue, net of issuance costs	**–**	50,074
Proceeds from other borrowings	**25,000**	–
Repayment of other borrowings	**(2,535)**	–
Net cash generated from financing activities	**22,465**	50,074
Net decrease in cash and cash equivalents	**(3,900)**	(21,078)
Cash and cash equivalents at beginning of the year	**11,260**	32,045
Effects of foreign exchange rate changes, net	**1,066**	293
Cash and cash equivalents at end of the year	**8,426**	11,260

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 19 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 14 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention except for derivative financial instruments and convertible bonds which 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 4.

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

2.1 Basis of preparation *(Continued)*

(a) New standards, amendments to standards and interpretations adopted by the Group

During the year, the Group adopted HKFRS 11, 'Joint arrangements' which is mandatory for financial year beginning on or after 1 January 2013.

HKFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of joint arrangements is no longer permitted.

The directors of the Company reviewed and assessed the classification of the Group's investment in joint arrangement in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investment in Era Investment (Holding) Inc. ("EIHI"), which was classified as a jointly-controlled entity for the year ended 31 December 2012 under HKAS 31 and was accounted for using the proportionate consolidation method, should be classified as a joint venture under HKFRS 11 and accounted for using the equity method. The Group recognised its investment in the joint venture at the beginning of the earliest period presented (1 January 2012), as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the deemed cost of the Group's investment in the joint venture for applying equity accounting.

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(a) New standards, amendments to standards and interpretations adopted by the Group (Continued)

The effect of the change in the Group's accounting policy described above is as follows:

Impact of change in accounting policy on consolidated income statement

	For the year ended 31 December 2012 (As previously stated) HK$'000	Equity accounting for EIHI HK$'000	For the year ended 31 December 2012 (Restated) HK$'000
Revenue	16,869	(7,146)	9,723
Cost of sales	(8,877)	6,044	(2,833)
Gross profit	7,992	(1,102)	6,890
Other income	896	(3)	893
Other losses, net	(9,236)	–	(9,236)
Sales and marketing expenses	(4,333)	1,037	(3,296)
Administrative expenses			
– Share-based payment	(3,758)	–	(3,758)
– Others	(43,469)	4,379	(39,090)
Operating loss	(51,908)	4,311	(47,597)
Finance income	8,909	–	8,909
Finance costs	(4,766)	1,123	(3,643)
	(47,765)	5,434	(42,331)
Share of loss of a joint venture	–	(2,690)	(2,690)
Loss before taxation	(47,765)	2,744	(45,021)
Income tax credit/(expense)	1,279	(1,675)	(396)
Loss for the year	(46,486)	1,069	(45,417)
Loss attributable to:			
– Owners of the Company	(45,327)	–	(45,327)
– Non-controlling interests	(1,159)	1,069	(90)
	(46,486)	1,069	(45,417)

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(a) New standards, amendments to standards and interpretations adopted by the Group (Continued)

Impact of change in accounting policy on consolidated statement of financial position

	As at 31 December 2012 (As previously stated) HK$'000	Equity accounting for EIHI HK$'000	As at 31 December 2012 (Restated) HK$'000	As at 1 January 2012 (As previously stated) HK$'000	Equity accounting for EIHI HK$'000	As at 1 January 2012 (Restated) HK$'000
Assets						
Non-current assets						
Property, plant and equipment	48,680	(13,227)	35,453	16,557	(4,014)	12,543
Intangible assets	25,375	(12,186)	13,189	22,547	(12,114)	10,433
Interest in a joint venture	–	140,048	140,048	–	142,738	142,738
Cemetery assets use rights	212,765	(212,765)	–	225,115	(225,115)	–
Deposits for non-current assets	25,972	(160)	25,812	27,741	–	27,741
	312,792	(98,290)	214,502	291,960	(98,505)	193,455
Current assets						
Inventories	80,959	(69,073)	11,886	72,134	(60,051)	12,083
Prepayments, deposits and other receivables	9,737	(377)	9,360	1,670	(567)	1,103
Balance with a joint venture	18,364	18,364	36,728	12,329	12,329	24,658
Derivative financial instrument	1,771	–	1,771	2,461	–	2,461
Cash and cash equivalents	11,545	(285)	11,260	33,949	(1,904)	32,045
	122,376	(51,371)	71,005	122,543	(50,193)	72,350
Liabilities						
Current liabilities						
Trade payables	867	(514)	353	502	(74)	428
Loan from a non-controlling interest	1,229	(1,229)	–	1,222	(1,222)	–
Other payables and accruals	20,732	(8,478)	12,254	12,107	(6,708)	5,399
Income tax payable	–	–	–	5	(5)	–
Other borrowings	1,229	(1,229)	–	1,222	(1,222)	–
Convertible bonds						
– not classified as share-based payment transactions	–	–	–	28,848	–	28,848
	24,057	(11,450)	12,607	43,906	(9,231)	34,675
Net current assets	98,319	(39,921)	58,398	78,637	(40,962)	37,675
Total assets less current liabilities	411,111	(138,211)	272,900	370,597	(139,467)	231,130

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(a) New standards, amendments to standards and interpretations adopted by the Group (Continued)

Impact of change in accounting policy on consolidated statement of financial position (Continued)

	As at 31 December 2012 (As previously stated) HK$'000	Equity accounting for EIHI HK$'000	As at 31 December 2012 (Restated) HK$'000	As at 1 January 2012 (As previously stated) HK$'000	Equity accounting for EIHI HK$'000	As at 1 January 2012 (Restated) HK$'000
Non-current liabilities						
Other payables and accruals	2,586	(1,510)	1,076	1,437	(1,437)	–
Deferred income tax liabilities	70,688	(65,367)	5,321	71,556	(66,662)	4,894
Other borrowings	14,539	(14,539)	–	14,715	(14,715)	–
Convertible bonds						
– classified as share-based payment transactions	85,564	–	85,564	76,131	–	76,131
– not classified as share-based payment transactions	22,062	–	22,062	–	–	–
	195,439	(81,416)	114,023	163,839	(82,814)	81,025
Net assets	215,672	(56,795)	158,877	206,758	(56,653)	150,105
Equity						
Capital and reserves						
Share capital	3,795	–	3,795	2,530	–	2,530
Reserves	143,744	(9,262)	134,482	135,141	(8,214)	126,927
Equity attributable to owners of the Company	147,539	(9,262)	138,277	137,671	(8,214)	129,457
Non-controlling interests	68,133	(47,533)	20,600	69,087	(48,439)	20,648
	215,672	(56,795)	158,877	206,758	(56,653)	150,105

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(a) New standards, amendments to standards and interpretations adopted by the Group (Continued)

Impact of change in accounting policy on consolidated statement of cash flows

	For the year ended 31 December 2012 (As previously stated) HK$'000	Equity accounting for EIHI HK$'000	For the year ended 31 December 2012 (Restated) HK$'000
Operating activities:			
Loss before taxation	(47,765)	2,744	(45,021)
Adjustments for:			
Share of loss of a joint venture	–	2,690	2,690
Depreciation of property, plant and equipment	2,349	(710)	1,639
Amortisation of software license	4	(4)	–
Impairment loss on intangible assets	629	–	629
Equity-settled share options expenses	411	–	411
Equity-settled warrant shares expenses	3,347	–	3,347
Fair value changes on financial instruments	9,270	–	9,270
Loss on disposal of property, plant and equipment	1,235	(572)	663
Finance income	(8,909)	–	(8,909)
Finance costs	4,766	(1,123)	3,643
Income tax paid	(5)	5	–
Operating cash flows before movements in working capital	(34,668)	3,030	(31,638)
Decrease in inventories	541	(344)	197
Decrease in cemetery assets use rights	4,647	(4,647)	–
Increase in prepayments,deposits and other receivables	(8,021)	(29)	(8,050)
Increase in balance with a joint venture	(6,035)	(6,035)	(12,070)
Increase/(decrease) in trade payables	365	(440)	(75)
Increase in other payables and accruals	7,869	(967)	6,902

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(a) *New standards, amendments to standards and interpretations adopted by the Group (Continued)*

Impact of change in accounting policy on consolidated statement of cash flows (Continued)

	For the year ended 31 December 2012 (As previously stated) HK$'000	Equity accounting for EIHI HK$'000	For the year ended 31 December 2012 (Restated) HK$'000
Cash used in operations	(35,302)	(9,432)	(44,734)
Interest received	217	–	217
Interest paid	(300)	–	(300)
Net cash used in operating activities	(35,385)	(9,432)	(44,817)
Investing activities			
Purchase of property, plant and equipment	(19,906)	10,474	(9,432)
Deposit for land use rights	(13,574)	–	(13,574)
Acquisition of a subsidiary	153	(582)	(429)
Additions to intangible assets	(2,906)	6	(2,900)
Net cash used in investing activities	(36,233)	9,898	(26,335)
Financing activities			
Proceeds from rights issue, net of issuance costs	50,074	–	50,074
Repayment of other borrowings	(1,229)	1,229	–
Net cash generated from financing activities	48,845	1,229	50,074
Net decrease in cash and cash equivalents	(22,773)	1,695	(21,078)
Cash and cash equivalents at beginning of the year	33,949	(1,904)	32,045
Effects of foreign exchange rate changes, net	369	(76)	293
Cash and cash equivalents at end of the year	11,545	(285)	11,260

Notes to the Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

(a) New standards, amendments to standards and interpretations adopted by the Group (Continued)

During the year, the Group adopted HKFRS 10, "Consolidated financial statements", HKFRS 12, 'Disclosure of interests in other entities', and HKFRS 13, 'Fair value measurement' for financial year beginning on or after 1 January 2013.

HKFRS 10, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Upon the execution of the Undertaking entered into with the shareholder of EIHI, management has concluded that the Group has sufficiently dominating voting interest to have the power to direct the relevant entities of EIHI. As a result, EIHI has been fully consolidated into these consolidated financial statements.

HKFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The Group has made relevant additional disclosures in the consolidated financial statements.

HKFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group has made relevant additional disclosures in the consolidated financial statements.

The following new standards, amendments to standards and interpretations are also mandatory for financial year beginning on or after 1 January 2013. The adoption of these new standards, amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKAS 1 (Amendment)	Financial statements presentation
HKAS 19 (revised 2011)	Employee benefits
HKAS 27 (revised 2011)	Separate financial statements
HKAS 28 (revised 2011)	Associates and joint ventures
HK (IFRIC) – Int 20	Stripping costs in the production phase of a surface mine
HKFRS 1 (Amendment)	Government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures

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

2.1 Basis of preparation *(Continued)*

(b) New standards, amendments to standards and interpretations that have been issued but are not effective

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2013, and have not been early adopted by the Group.

HKAS 19 (Amendment)	Defined benefit plan(2)
HKAS 32 (Amendment)	Financial instruments: Presentation(1)
HKAS 36 (Amendment)	Impairment of assets on recoverable amount disclosures(1)
HKAS 39 (Amendment)	Novation of derivatives(1)
HK (IFRIC) – Int 21	Levies(1)
HKFRS 9	Financial instruments(3)
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Consolidation for investment entities(1)
Annual improvements	Annual improvements 2012(2)
Annual improvements	Annual improvements 2013(2)

(1) Effective for the Group for annual period beginning on 1 January 2014
(2) Effective for the Group for annual period beginning on 1 July 2014
(3) Effective for the Group for annual period beginning on 1 January 2015

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.

2.2 Going concern

During the year ended 31 December 2013, the Group reported a net loss of HK$249,706,000 and has a net operating cash outflow of HK$25,963,000. 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 financial institutions to secure facilities such that the Group can obtain further financing to meet its financial obligations.

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

2.2 Going concern *(Continued)*

In October 2013, the Group signed a loan facility agreement of up to HK$10,000,000 with an individual third party with expiry date on 22 January 2014. The loan is unsecured and interest bearing at 15% per annum. As at 31 December 2013, the Group has drawn down a loan of HK$5,000,000, and on 3 January 2014, the Group has drawn down an additional loan of HK$5,000,000. Subsequent to the reporting period, the Group has signed a loan extension agreement with the individual third party to extend the repayment date of the total loan outstanding of HK$10,000,000 with all interest accrued thereon to 31 December 2015.

As at 31 December 2013, the Group had a borrowing of HK$20,000,000 from the chairman of the Company who is also one of the shareholders of the Company. Subsequent to the reporting period, the Group has signed a loan extension agreement with the chairman to extend the repayment date of the loan of HK$20,000,000 with all interest accrued thereon to 31 December 2015.

After signing these loan extension agreements, although these loans can be demanded for early repayment if there is any fund raised (either in the form of debt or equity financing) by the Company for any amount of net proceeds of not less than HK$30,000,000, the fund so 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 extension agreements and the fund raised must be sufficient to meet the financial obligations of the Group within twelve months from the date of the loan extension agreements.

In addition, on 10 March 2014, the Group signed a revolving loan facility agreement of up to HK50,000,000 with a money lending company which will expire two years after the date of agreement. As of the reporting date, the Group has drawn down a loan of HK$16,000,000 from the money lending company, which will be due for repayment in March 2016. The loan is unsecured and interest bearing at 12% per annum.

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, after reviewing the Group's cash flow projections prepared by management and taking into account the reasonably possible changes in the operational performance and the availability of the loan facility, believe that 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.

2.3 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

2.3 Subsidiaries *(Continued)*

(a) ***Consolidation*** *(Continued)*

(i) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary 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-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the profit or loss.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

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

2.3 Subsidiaries *(Continued)*

(a) ***Consolidation*** *(Continued)*

(ii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

(b) ***Separate financial statements***

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend 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.

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements as of 1 January 2012. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Notes to the Consolidated Financial Statements

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

2.4 Joint arrangements *(Continued)*

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy has been applied as from 1 January 2012.

2.5 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.

2.6 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 are currencies other than 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.

Notes to the Consolidated Financial Statements

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

2.6 Foreign currencies *(Continued)*

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.

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

2.7 Property, plant and equipment

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.

Depreciation of property, plant and equipment 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	$3\frac{1}{3}\%$ – $33\frac{1}{3}\%$
Leasehold improvements	20%
Machinery	5% – 10%
Furniture and equipment	20% – $33\frac{1}{3}\%$
Motor vehicles	10% – $33\frac{1}{3}\%$

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

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

2.7 Property, plant and equipment *(Continued)*

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.

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 2.9).

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.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and joint ventures 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 joint venture acquired, the difference is recognised in the 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.

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

2.8 Intangible assets *(Continued)*

(a) 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.

(b) 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.

(c) 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.

(d) 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.

2.9 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.

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

2.9 Impairment of non-financial assets *(Continued)*

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.

2.10 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 joint venture and cash and cash equivalents

(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.

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

2.11 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.

2.12 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.

(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.

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

2.12 Impairment of financial assets *(Continued)*

(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.

2.13 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 profit or loss.

2.14 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.

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.

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

2.15 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.

2.16 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.

2.17 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.

(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.

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

2.17 Financial liabilities *(Continued)*

(b) Subsequent measurement (Continued)

(i) Financial liabilities at amortised cost (Continued)

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.

Notes to the Consolidated Financial Statements

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

2.18 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.

2.19 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 legally enforceable 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.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. 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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the places where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the Consolidated Financial Statements

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

2.20 Current and deferred income tax *(Continued)*

(b) *Deferred income tax* *(Continued)*

Inside basis differences (Continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and a joint venture, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and a joint venture only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 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.

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

2.21 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.

2.22 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.

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

2.22 Share-based payment transactions *(Continued)*

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

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.

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.

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

2.22 Share-based payment transactions *(Continued)*

(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 other losses, net. The equity component is not re-measured subsequent to initial recognition.

2.23 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.

2.24 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.

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

2.25 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.

(d) *Preneed funeral plan*

The Group enters into prepaid contracts to provide funeral services in the future and funds received are placed in trust and are not recognised as revenue (other than handling charge) until the service is performed.

(e) *Handling fee*

The handling fee is recognised as revenue when the handling service is performed and the contracts become effective.

Notes to the Consolidated Financial Statements

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

2.26 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.

2.27 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.

2.28 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.

2.29 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.

3. FINANCIAL RISK MANAGEMENT

3.1 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), credit risk, price 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 2013 and 31 December 2012 is minimal.

(ii) *Fair value interest rate risk*

The Group's interest rate risk mainly arises from the convertible bonds and other borrowings. As at 31 December 2013, if the interest rate of convertible bonds and other borrowings had been 100 basis point (2012: 100 basis point) higher/lower with all other variables held constant, loss for the year would have been HK$489,000 (2012: HK$218,000) lower/higher as a result of a decrease/increase in the carrying amounts of fixed rate borrowings.

(b) Credit risk

The Group's principal financial assets include other receivables, balance with a joint venture 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 2013 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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(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.

(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.

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 financial institutions to secure facilities such that the Group can obtain further financing to meet its financial obligations.

In October 2013, the Group signed a loan facility agreement of up to HK$10,000,000 with an individual third party with expiry date on 22 January 2014. The loan is unsecured and interest bearing at 15% per annum. As at 31 December 2013, the Group has drawn down a loan of HK$5,000,000, and on 3 January 2014, the Group has drawn down an additional loan of HK$5,000,000. Subsequent to the reporting period, the Group has signed a loan extension agreement with the individual third party to extend the repayment date of the total loan outstanding of HK$10,000,000 with all interest accrued thereon to 31 December 2015.

As at 31 December 2013, the Group had a borrowing of HK$20,000,000 from the chairman of the Company who is also one of the shareholders of the Company. Subsequent to the reporting period, the Group has signed a loan extension agreement with the chairman to extend the repayment date of the loan of HK$20,000,000 with all interest accrued thereon to 31 December 2015.

After signing these loan extension agreements, although these loans can be demanded for early repayment if there is any fund raised (either in the form of debt or equity financing) by the Company for any amount of net proceeds of not less than HK$30,000,000, the fund so 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 extension agreements and the fund raised must be sufficient to meet the financial obligations of the Group within twelve months from the date of the loan extension agreements.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) ***Liquidity risk*** *(Continued)*

In addition, on 10 March 2014, the Group signed a revolving loan facility agreement of up to HK50,000,000 with a money lending company which will expire two years after the date of agreement. As of the reporting date, the Group has drawn down a loan of HK$16,000,000 from the money lending company, which will be due for repayment in March 2016. The loan is unsecured and interest bearing at 12% per annum.

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, after reviewing the Group's cash flow projections prepared by management and taking into account the reasonably possible changes in the operational performance and the availability of the loan facility, believe that 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.

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 2013					
Trade payables	435	487	210	–	1,132
Loan from a non-controlling interest	2,535	–	–	–	2,535
Other payables and accruals	18,728	818	–	–	19,546
Other borrowings	–	26,843	19,955	20,297	67,095
Convertible bonds	–	–	147,925	–	147,925
Interest payable	44	1,250	2,466	–	3,760
	21,742	29,398	170,556	20,297	241,993

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 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 2012 (Restated)					
Trade payables	200	–	153	–	353
Other payables and accruals	12,144	–	1,076	–	13,220
Convertible bonds	–	–	147,925	–	147,925
Interest payable	–	300	3,689	–	3,989
	12,344	300	152,843	–	165,487

3.2 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.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 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 2013 and 31 December 2012 were as follows:

	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated)
Current liabilities	**55,875**	12,607
Non-current liabilities	**246,996**	114,023
Total liabilities	**302,871**	126,630
Equity attributable to owners of the Company	**35,151**	138,277
Gearing ratio	**8.62**	0.92

3.3 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.

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.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value of financial instruments *(Continued)*

The following table presents the changes in level 3 instruments for the year ended 31 December 2013:

	Convertible bonds measured at share-based payment transactions HK$'000	**Derivative financial instrument HK$'000**	**Total HK$'000**
Opening balance	**(85,564)**	**1,771**	**(83,793)**
Gains and losses recognised in profit or loss	**(10,584)**	**(1,188)**	**(11,772)**
Closing balance	**(96,148)**	**583**	**(95,565)**
Total gains or losses for the period including in profit or loss for assets/liabilities held at the end of the reporting period	**(10,584)**	**(1,188)**	**(11,772)**

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

	Convertible bonds measured at share-based payment transactions 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)

4. 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.

In addition to the going concern assumptions as disclosed in note 2.2 to the consolidated financial statements, 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. Impairment of cemetery assets use rights of HK$230,160,000 has been charged to the cost of sales in the consolidated income statement for the year ended 31 December 2013.

(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.

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

(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. Fair value loss on convertible bonds of HK$10,584,000 has been charged to other losses, net in the consolidated income statement for the year ended 31 December 2013.

(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. Impairment of property, plant and equipment of HK$11,193,000 has been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2013.

(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) 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.

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

(h) 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. Fair value loss on derivative financial instrument of HK$1,188,000 has been charged to other losses, net in the consolidated income statement for the year ended 31 December 2013.

5. 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.

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 and sales of related merchandise.

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, balance with a joint venture and operating cash.

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

Notes to the Consolidated Financial Statements

5. OPERATING SEGMENT INFORMATION *(Continued)*

The segment results and other segment items for the year ended 31 December 2013 are as follows:

	Mainland China HK$'000	Hong Kong HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	27,650	11,777	39,427
Operating loss	(256,184)	(8,283)	(264,467)
Unallocated corporate expenses, net			(36,234)
Finance income			375
Finance costs			(8,970)
Loss before taxation			(309,296)
Segment assets	478,491	5,579	484,070
Property, plant and equipment			1,471
Intangible assets			2,700
Prepayments, deposits and other receivables			592
Derivative financial instrument			583
Cash and cash equivalents			1,457
Total assets			490,873
Segment liabilities	(147,076)	(1,195)	(148,271)
Other payables and accruals			(9,059)
Other borrowings			(25,000)
Convertible bonds			
– classified as share-based payment transactions			(96,148)
– not classified as share-based payment transactions			(24,393)
Total liabilities			(302,871)
Other segment information:			
Depreciation and amortisation	16,106	859	16,965
Unallocated depreciation and amortisation			915
			17,880
Capital expenditure	2,780	1,977	4,757
Unallocated capital expenditure			55
			4,812

Notes to the Consolidated Financial Statements

5. OPERATING SEGMENT INFORMATION *(Continued)*

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

	Mainland China HK$'000 (Restated)	Hong Kong HK$'000 (Restated)	Total HK$'000 (Restated)
Segment revenue:			
Sales to external customers	6,989	2,734	9,723
Operating loss	(9,760)	(6,656)	(16,416)
Unallocated corporate expenses, net			(31,181)
Share of loss of a joint venture			(2,690)
Finance income			8,909
Finance costs			(3,643)
Loss before taxation			(45,021)
Segment assets	82,983	8,501	91,484
Property, plant and equipment			2,513
Intangible assets			3,096
Interest in a joint venture			140,048
Balance with a joint venture			36,728
Prepayments, deposits and other receivables			7,774
Derivative financial instrument			1,771
Cash and cash equivalents			2,093
Total assets			285,507
Segment liabilities	(9,304)	(719)	(10,023)
Other payables and accruals			(8,981)
Convertible bonds			
– classified as share-based payment transactions			(85,564)
– not classified as share-based payment transactions			(22,062)
Total liabilities			(126,630)
Other segment information:			
Depreciation and amortisation	311	194	505
Unallocated depreciation and amortisation			1,134
			1,639
Capital expenditure	19,512	1,849	21,361
Unallocated capital expenditure			6,712
			28,073

Notes to the Consolidated Financial Statements

5. OPERATING SEGMENT INFORMATION *(Continued)*

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

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Sales of interments right and related products	**19,876**	–
Rendering of funeral and cremation services	**19,470**	9,723
Management service	**81**	–
	39,427	9,723

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 2013 (2012: Nil).

The Company is domiciled in Hong Kong. The Group's result of its revenue from external customers in Hong Kong is HK$11,777,000 (2012: HK$2,734,000) and total revenue from external customers in Mainland China is HK$27,650,000 (2012 (Restated): HK$6,989,000).

6. OTHER INCOME AND OTHER LOSSES, NET

The Group's other income and other losses, net are analysed as follows:

(a) Other income

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Rental income	**909**	246
Sundry income	**886**	647
	1,795	893

(b) Other losses, net

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Gain on disposal of a subsidiary	**135**	–
Gain on change from of a joint venture to a subsidiary	**463**	–
Foreign exchange gain, net	**–**	34
Fair value changes on financial instruments	**(11,772)**	(9,270)
	(11,174)	(9,236)

Note: Fair value changes on financial instruments consisted of (i) fair value loss on derivative financial instrument of HK$1,188,000 (2012: fair value gain of HK$163,000) and (ii) fair value loss on convertible bonds classified as share-based payment transactions of HK$10,584,000 (2012: HK$9,433,000).

7. LOSS BEFORE TAXATION

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

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Cost of inventories recognised as expense		
– cemetery assets use rights	**13,632**	–
– cemetery merchandises	**2,075**	1,016
– Impairment loss on cemetery assets use rights	**230,160**	–
Employees benefits expenses (Note 8)	**25,985**	18,479
Depreciation of property, plant and equipment	**4,239**	1,639
Amortisation of software license	**9**	–
Impairment loss on property, plant and equipment	**11,193**	–
Auditors' remuneration	**1,450**	1,450
(Gain)/loss on disposal of property, plant and equipment	**(309)**	663
Equity-settled warrant shares expenses for non-employee	**494**	1,950
Equity-settled share options expenses for non-employees	**–**	411
Minimum lease payments under operating leases in respect of land and buildings	**4,812**	3,372

8. EMPLOYEES BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Salaries and other benefits	**24,339**	16,862
Equity-settled share options expenses	**763**	–
Equity-settled warrant shares expenses	**721**	1,397
Pension schemes contributions	**162**	220
	25,985	18,479

9. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

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

Year ended 31 December 2013	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)	–	3,812	–	–	15	3,827
Mr. Kwok Kwan Hung (i)	–	2,016	–	763	15	2,794
	–	5,828	–	763	30	6,621
Independent non-executive directors:						
Mr. Chan Wai Man	180	–	–	–	–	180
Mr. Law Yee Man, Thomas	180	–	–	–	–	180
Mr. Siu Hi Lam, Alick	180	–	–	–	–	180
	540	–	–	–	–	540
	540	5,828	–	763	30	7,161

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

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

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 2013 (2012: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2012: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2012: three) highest paid employees who are not directors for the year are as follows:

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000
Salaries, allowances and benefits in kind	2,590	2,356
Performance related bonuses	51	153
Pension schemes contributions	45	41
	2,686	2,550

There are three (2012: 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 2013	Year ended 31 December 2012
Nil – HK$1,000,000	2	2
HK$1,000,001 – HK$1,500,000	1	1
	3	3

11. FINANCE INCOME AND COSTS

The Group's finance income and costs are analysed as follows:

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Interest on:		
– Other borrowings wholly repayable within five years	**(3,292)**	(79)
– Other borrowings wholly repayable after five years	**(2,125)**	–
– Convertible bonds	**(3,553)**	(3,802)
Finance costs	**(8,970)**	(3,881)
Less: amounts capitalised on qualifying assets	**–**	238
Total finance costs	**(8,970)**	(3,643)
Finance income:		
– Gain arising on extinguishment of a convertible bond (CB2.2)	**–**	8,485
– Interest income on short-term bank deposits	**10**	135
– Interest income on notes receivable	**365**	207
– Others	**–**	82
Total finance income	**375**	8,909
Net finance (costs)/income	**(8,595)**	5,266

12. INCOME TAX CREDIT/(EXPENSE)

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Current income tax	**(91)**	–
Deferred income tax	**59,681**	(396)
Income tax credit/(expense)	**59,590**	(396)

Hong Kong profits tax is calculated at 16.5% (2012: 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 (2012: Nil).

The PRC subsidiaries are subject to the PRC corporate income tax at 25% (2012: 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 (2012: 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). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Notes to the Consolidated Financial Statements

12. INCOME TAX CREDIT/(EXPENSE) *(Continued)*

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

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Loss before taxation	**(309,296)**	(45,021)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**65,741**	3,907
Income not subject to tax	**833**	66
Expenses not deductible for tax	**(2,975)**	(863)
Others	**124**	109
Tax losses for which no deferred income tax asset was recognised	**(4,133)**	(3,615)
Income tax credit/(expense)	**59,590**	(396)

13. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil).

14. 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.

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 then existing shares.

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000
Loss attributable to owners of the Company	**(130,332)**	(45,327)
Weighted average number of ordinary shares in issue (in thousands)	**1,517,838**	1,324,767

(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.

The dilutive potential ordinary shares in respect of the Company's outstanding share options, convertible bonds and warrants are anti-dilutive for the years ended 31 December 2013 and 31 December 2012.

Notes to the Consolidated Financial Statements

15. 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 (Restated):							
At 1 January 2012	11,474	3,860	–	661	1,745	2,716	20,456
Additions	4,154	1,675	17,321	1,307	347	369	25,173
Disposals	–	(943)	–	–	(3)	(536)	(1,482)
Exchange realignment	65	–	(4)	3	–	5	69
At 31 December 2012	15,693	4,592	17,317	1,971	2,089	2,554	44,216
Additions	775	305	1,049	555	757	1,371	4,812
Change from a joint venture to a subsidiary	21,180	3,861	1,649	1,675	353	87	28,805
Disposals	–	–	–	–	(395)	(1,076)	(1,471)
Disposal of a subsidiary	(3,700)	–	–	–	–	–	(3,700)
Exchange realignment	1,100	53	619	119	25	230	2,146
At 31 December 2013	**35,048**	**8,811**	**20,634**	**4,320**	**2,829**	**3,166**	**74,808**
Accumulated depreciation and impairment (Restated):							
At 1 January 2012	4,361	795	–	283	823	1,651	7,913
Charge for the year	391	414	–	58	364	412	1,639
Disposals	–	(320)	–	–	–	(499)	(819)
Exchange realignment	24	–	–	2	–	4	30
At 31 December 2012	4,776	889	–	343	1,187	1,568	8,763
Charge for the year	1,450	1,297	–	429	545	518	4,239
Impairment loss	10,558	635	–	–	–	–	11,193
Disposals	–	–	–	–	–	(1,058)	(1,058)
Disposal of a subsidiary	(35)	–	–	–	–	–	(35)
Exchange realignment	324	27	–	16	7	15	389
At 31 December 2013	**17,073**	**2,848**	**–**	**788**	**1,739**	**1,043**	**23,491**
Net carrying amounts:							
At 31 December 2013	**17,975**	**5,963**	**20,634**	**3,532**	**1,090**	**2,123**	**51,317**
At 31 December 2012 (Restated)	10,917	3,703	17,317	1,628	902	986	35,453
At 1 January 2012 (Restated)	7,113	3,065	–	378	922	1,065	12,543

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000	As at 1 January 2012 HK$'000
In Hong Kong, held:			
Leases of 75 years	**–**	3,682	–

16. INTANGIBLE ASSETS

	Goodwill HK$'000	Operating rights HK$'000	Club membership HK$'000	Software license HK$'000	Total HK$'000
Cost (Restated):					
At 1 January 2012	396	10,037	–	–	10,433
Addition	–	–	2,900	–	2,900
Acquisition of a subsidiary	429	–	–	–	429
Exchange realignment	–	56	–	–	56
At 31 December 2012	825	10,093	2,900	–	13,818
Change from a joint venture to a subsidiary	–	15,341	–	79	15,420
Exchange realignment	–	663	–	3	666
At 31 December 2013	**825**	**26,097**	**2,900**	**82**	**29,904**
Accumulated amortisation and impairment (Restated):					
At 1 January 2012	–	–	–	–	–
Impairment charge	(429)	–	(200)	–	(629)
At 31 December 2012	(429)	–	(200)	–	(629)
Charge for the year	–	–	–	(9)	(9)
At 31 December 2013	**(429)**	**–**	**(200)**	**(9)**	**(638)**
Net carrying amounts:					
At 31 December 2013	**396**	**26,097**	**2,700**	**73**	**29,266**
At 31 December 2012 (Restated)	396	10,093	2,700	–	13,189
At 1 January 2012 (Restated)	396	10,037	–	–	10,433

16. INTANGIBLE ASSETS *(Continued)*

Impairment tests for goodwill

For the purpose of impairment testing, goodwill has been allocated to individual cash-generating unit ("CGU"), that represents subsidiaries engaged in the provision of funeral services.

During the year ended 31 December 2013, the directors determine that there is no additional impairment on the CGUs containing goodwill (2012: impairment charge of HK$429,000 was made on the goodwill of one of the CGUs, which had no concrete future operational plan and no plan to be integrated into the Group's core businesses).

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.

Key assumptions used for these calculations are as follows:

	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000
Long-term growth rate	**3.0%**	3.0%
Discount rate	**15.5%**	15.4%

17. INVESTMENT IN A JOINT VENTURE

	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated)
At 1 January	**140,048**	142,738
Share of loss	**–**	(2,690)
Change from a joint venture to a subsidiary	**(140,048)**	–
	–	140,048

17. INVESTMENT IN A JOINT VENTURE *(Continued)*

As disclosed in note 33 to the consolidated financial statements, EIHI has changed from a joint venture to a non-wholly owned subsidiary of the Group upon the Undertaking on 16 January 2013.

Nature of investment in a joint venture as at 31 December 2012 and 1 January 2012

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

EIHI is a private company and there is no quoted market price available for its shares.

The Group had no commitments relating to its joint venture as at 31 December 2012.

Notes to the Consolidated Financial Statements

17. INVESTMENT IN A JOINT VENTURE *(Continued)*

Summarised financial information for a joint venture

Set out below are the summarised financial information for EIHI which is accounted for using the equity method.

Summarised balance sheet

	As at 31 December 2012 HK$'000	As at 1 January 2012 HK$'000
Current		
Cash and cash equivalents	568	3,754
Other current assets (excluding cash)	138,900	121,242
Total current assets	139,468	124,996
Financial liabilities (excluding trade payables)	(35,845)	(18,978)
Other current liabilities (including trade payables)	(1,074)	(1,393)
Total current liabilities	(36,919)	(20,371)
Non-current		
Total non current assets	447,960	456,947
Financial liabilities	(54,486)	(55,004)
Other liabilities	(124,203)	(127,229)
Total non-current liabilities	(178,689)	(182,233)
Net assets	371,820	379,339

Notes to the Consolidated Financial Statements

17. INVESTMENT IN A JOINT VENTURE *(Continued)*

Summarised statement of comprehensive income

	Year ended 31 December 2012 HK$'000
Revenue	14,292
Depreciation and amortisation	(10,190)
Finance income	2
Finance costs	(2,408)
Loss before taxation	(10,868)
Income tax credit	3,350
Loss for the year	(5,380)
Total comprehensive loss	(5,380)
Dividends received from the joint venture	–

The information above reflects the amounts presented in the financial statements of the joint venture, adjusted for differences in accounting policies between the Group and the joint venture, and not the Company's share of those amounts.

Notes to the Consolidated Financial Statements

17. INVESTMENT IN A JOINT VENTURE *(Continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture.

Summarised financial information

	At 31 December 2012 HK$'000
Opening net assets	377,200
Loss for the year	(5,380)
Closing net assets	371,820
Interest in the joint venture	185,910
Non-controlling interest under the joint venture	(45,862)
Carrying value	140,048

18. CEMETERY ASSETS USE RIGHTS

	HK$'000
At 1 January 2012 (Restated) and at 31 December 2012 (Restated)	–
Change from a joint venture to a subsidiary	585,271
Transferred to inventories	(163,371)
Impairment loss (note)	(166,959)
Exchange realignment	5,151
At 31 December 2013	**260,092**
Net carrying amounts:	
At 31 December 2013	**260,092**
At 31 December 2012 (Restated)	–
At 1 January 2012 (Restated)	–

18. CEMETERY ASSETS USE RIGHTS *(Continued)*

Note: During the year ended 31 December 2013, total impairment loss of HK$230,160,000 of cemetery assets use rights has been charged to the consolidated income statement, of which (i) HK$166,959,000 is related to cemetery assets use right under non-current assets; and (ii) HK$63,201,000 is related to cemetery assets use rights under current assets. The impairment loss arose in the cemetery assets use rights in the PRC following the intense local competition for operating cemetery in Suzhou and Shanghai as well as the delay in development progress during the year. The Group are facing challenges that the business grew at a slower pace than originally expected and as a result the directors reassessed the recoverable amount of the cemetery assets use rights.

For the purposes of impairment review, the recoverable amount of cemetery assets use rights is determined based on value-in-use calculations. The value-in-use calculations use post-tax cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period or longer. The growth rates used do not exceed the industry growth forecast for the business in which the Group operates.

Discount rate	17.55% – 19.00%
Terminal growth rate	3%

The post-tax discount rate used reflects market assessments of the time value and the specific risks relating to the industry. The terminal growth rate was determined by the management based on past performance and its expectation for market development.

19. INVESTMENTS IN SUBSIDIARIES – COMPANY

	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000
Unlisted shares, at cost	**78**	78
Amounts due from subsidiaries	**305,895**	296,988
Less: provision for impairment	**(48,943)**	–
	256,952	298,988

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.

Notes to the Consolidated Financial Statements

19. INVESTMENTS IN SUBSIDIARIES – COMPANY *(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 2013 %	31 December 2012 %	
Billion Legend Trading Limited (v)	HK, limited liability company	HK$1	**–**	100	Investment holding
Billion Station Limited (i)	British Virgin Islands ("BVI"), limited liability company	US$10,000	**100**	100	Investment holding
Checkmate Securities Advisors Limited	Hong Kong ("HK"), limited liability company	HK$5,000,000	**100**	100	Money lending
Glory Prospect Limited	HK, limited liability company	HK$1	**100**	100	Provision of administrative services
Grand Creation Investments Limited ("Grand Creation") (i)	BVI, limited liability company	US$1	**100**	100	Investment holding
Grand Rich (Asia) Company Limited	HK, limited liability company	HK$100	**100**	100	Holding a club membership
Luck Point Investments Limited	BVI, limited liability company	US$200	**100**	100	Investment holding
Reliance Death Care Services Incorporation (i)	BVI, limited liability company	US$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
Sage Preneed Services Limited	HK, limited liability company	HK$1	**100**	100	Provision of preneed funeral services

Notes to the Consolidated Financial Statements

19. INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

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 2013 %	31 December 2012 %	
畢節敬信陵園管理有限公司 (Bijie Reliance Cemetery Management Company Limited) ("Bijie") (ii)	PRC, wholly foreign-owned enterprise	RMB33,333,330	**60**	60	Operation of cemetery and funeral business
懷集萬福山殯儀館有限公司 (Huai Ji Luck Mountain Funeral Parlor Limited) ("Huai Ji Luck Mountain") (ii) & (iv)	PRC, wholly foreign-owned enterprise	RMB10,500,000	**100**	100	Operation of cemetery and funeral business
懷集縣萬福墓園有限公司 (Huai Ji Luck Point Cemetery Limited) (ii)	PRC, wholly foreign-owned enterprise	RMB1,000,000	**100**	–	Operation of cemetery and funeral business
Era Investment (Holding) Inc. (vi)	BVI, limited liability company	US$50,000	**50**	–	Investment holding
蘇洲名流陵園實業有限公司 (Suzhou Celebrities Cemetery Industry Co. Limited) ("Suzhou Celebrities") (ii), (iii) & (vi)	PRC, wholly foreign-owned enterprise	RMB20,000,000	**90**	–	Operation of cemetery and funeral business

Notes:

(i) Shares held by the Company directly.

(ii) English name is for identification purpose only.

(iii) Shares held by EIHI and EIHI is entitled to a profit sharing ratio of 75% of the result of Suzhou Celebrities.

(iv) Luck Point Investments Limited, a holding company of Huai Ji Luck Mountain, is entitled to a profit sharing ratio of 70% of the result of Huai Ji Luck Mountain.

(v) On 18 March 2013, the Group disposed its entire equity interests in Billion Legend Trading Limited to an independent third party at a consideration of HK$3,800,000. On the date of disposal, Billion Legend Trading Limited had a net asset value of HK$3,665,000 (represented the land) and a gain on disposal of HK$135,000 is resulted.

(vi) EIHI has changed from a joint venture to a non-wholly owned subsidiary of the Group upon the Undertaking on 16 January 2013. Upon the execution of the Undertaking, the Group has the power to govern the financial and operation policies of EIHI whereby the Group has to account for such transaction as a business combination pursuant to which Forrex (Holding) Inc. ("Forrex") shall vest to Grand Creation Investments Limited ("Grand Creation") all of the voting rights enjoyed by Forrex in respect of its 50% equity interest from time to time.

Notes to the Consolidated Financial Statements

19. INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

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

As at 31 December 2013, the total non-controlling interest is HK$152,851,000 (2012: HK$20,600,000), of which HK$132,079,000 is for EIHI and HK$16,223,000 is attributed to Bijie. The non-controlling interest in respect of Huai Ji Luck Mountain is not material.

Significant restrictions

Cash and cash equivalents of HK$3,152,000 for EIHI and Bijie are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet

	EIHI		Bijie	
	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000	**As at 31 December 2013 HK$'000**	As at 31 December 2012 HK$'000
Total assets	**369,459**	N/A	**43,178**	41,735
Total liabilities	**(137,390)**	N/A	**(1,094)**	(860)
Net assets	**232,069**	N/A	**42,084**	40,875

Notes to the Consolidated Financial Statements

19. INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

Summarised statement of comprehensive income

	EIHI		Bijie	
	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000	**Year ended 31 December 2013 HK$'000**	Year ended 31 December 2012 HK$'000
Revenue	**18,945**	N/A	**–**	–
Loss for the year	**(190,091)**	N/A	**(87)**	(82)
Total comprehensive expense	**(186,829)**	N/A	**(1,210)**	(297)
Total comprehensive income allocated to non-controlling interests	**(117,176)**	N/A	**(484)**	(117)

Note: The summarised balance sheet and summarised statement of comprehensive income of EIHI only include Suzhou Celebrities Cemetery which represent the substantial portion of EIHI Group.

Summarised cash flows

	EIHI		Bijie	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Net increase/(decrease) in cash and cash equivalents	**2,433**	N/A	**(1,491)**	(11,108)
Cash and cash equivalents at 1 January	**568**	N/A	**1,642**	12,750
Cash and cash equivalents at 31 December	**3,001**	N/A	**151**	1,642

The information above is the amount before inter-company eliminations.

20. INVENTORIES

	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated)	As at 1 January 2012 HK$'000 (Restated)
Within normal operating cycle included under current assets	**113,836**	11,886	12,083
Amount comprised:			
Construction cost and cemetery related merchandises	**6,036**	429	690
Cemetery assets use rights (31 December 2013: net of provision of HK$63,201,000; 31 December 2012: Nil; 1 January 2012: Nil)	**107,800**	11,457	11,393
	113,836	11,886	12,083

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated)	As at 1 January 2012 HK$'000 (Restated)
Prepayments and other receivables	**27,079**	27,735	28,844
Notes receivable	**–**	7,207	–
Rental and other deposits	**274**	230	–
	27,353	35,172	28,844
Less non-current portion:			
Deposits for land use rights	**(24,403)**	(25,004)	(11,430)
Deposits for property, plant and equipment	**–**	(808)	(16,311)
Others	**(445)**	–	–
	(24,848)	(25,812)	(27,741)
Current portion	**2,505**	9,360	1,103

As at 31 December 2012, the notes receivable was secured, interest bearing at the rate of 60% per annum. The balance was repaid to the Group in January 2013.

Notes to the Consolidated Financial Statements

22. BALANCE WITH A JOINT VENTURE AND A LOAN FROM A NON-CONTROLLING INTEREST

As at 31 December 2013, the loan from a non-controlling interest of HK$2,535,000 (2012: Nil) is unsecured, non-interest bearing and repayable within twelve months.

As at 31 December 2012, the amount due from a joint venture of HK$36,728,000 was unsecured, non-interest bearing and had no fixed terms of repayment.

23. DERIVATIVE FINANCIAL INSTRUMENT – GROUP AND COMPANY

	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000	As at 1 January 2012 HK$'000
Derivative asset arising from CB 2.2	**583**	1,771	2,461

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.

24. CASH AND CASH EQUIVALENTS

	Group			**Company**	
	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated)	As at 1 January 2012 HK$'000 (Restated)	**As at 31 December 2013 HK$'000**	As at 31 December 2012 HK$'000
Cash and bank balances	**8,265**	11,260	32,045	**949**	691
Trust accounts restricted under Sage Dignity Trust	**161**	–	–	**–**	–
	8,426	11,260	32,045	**949**	691

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

24. CASH AND CASH EQUIVALENTS *(Continued)*

Pursuant to the trust deed of Sage Dignity Trust, the trust account is set up for designated purpose for the provision of funeral services under pre-need service agreements.

Cash and cash equivalents were denominated in the following currencies:

	Group			Company	
	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated)	As at 1 January 2012 HK$'000 (Restated)	**As at 31 December 2013 HK$'000**	As at 31 December 2012 HK$'000
HK Dollar ("HK$")	**2,549**	7,084	8,233	**796**	580
Renminbi ("RMB")	**5,611**	2,847	7,906	**–**	–
US Dollar ("US$")	**266**	1,329	15,906	**153**	111
Cash and bank balance	**8,426**	11,260	32,045	**949**	691

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.

25. 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 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated)	As at 1 January 2012 HK$'000 (Restated)
Within 30 days	**200**	165	13
31-60 days	**88**	35	–
61-90 days	**147**	–	–
91 days-1 year	**487**	–	160
Over 1 year	**210**	153	255
	1,132	353	428

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.

Notes to the Consolidated Financial Statements

26. (a) OTHER PAYABLES AND ACCRUALS

	Group			Company	
	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated)	As at 1 January 2012 HK$'000 (Restated)	**As at 31 December 2013 HK$'000**	As at 31 December 2012 HK$'000
Other payables and accruals	**18,636**	10,768	3,336	**8,132**	4,817
Amounts due to shareholders	**480**	480	480	**480**	480
Amount due to a director (i)	**430**	1,972	1,583	**–**	1,896
Receipt in advance	**5,665**	110	–	**–**	–
	25,211	13,330	5,399	**8,612**	7,193
Less non-current portion:					
Other payables and accruals	**–**	(1,076)	–	**–**	–
Current portion	**25,211**	12,254	5,399	**8,612**	7,193

Notes:

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

(b) DEFERRED INCOME

	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated)	As at 1 January 2012 HK$'000 (Restated)
Deferred Income:			
– Management income (i)	**862**	–	–
– Government grant (ii)	**1,779**	–	–
	2,641	–	–
Less non-current portion	**(2,487)**	–	–
Current portion	**154**	–	–

Notes:

(i) It represents the upfront management fee paid by the customers for the repair and maintenance services of cemeteries provided by the Group.

(ii) It represents grants obtained from the PRC government in relation to the purchase of certain property, plant and equipment by the Group.

Notes to the Consolidated Financial Statements

27. DEFERRED INCOME TAX

	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated)	As at 1 January 2012 HK$'000 (Restated)
Deferred tax assets:			
Deferred tax asset to be recovered after more than 12 months	**10,784**	–	67
Deferred tax asset to be recovered within 12 months	**173**	67	396
	10,957	67	463
Deferred tax liabilities:			
Deferred tax liability to be recovered after more than 12 months	**91,265**	5,388	5,357
Deferred tax liability to be recovered within 12 months	**3,408**	–	–
	94,673	5,388	5,357
Deferred tax liabilities, net	**83,716**	5,321	4,894

Notes to the Consolidated Financial Statements

27. DEFERRED INCOME TAX *(Continued)*

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

	HK$'000
Year ended 31 December 2012 (Restated)	
At 1 January 2012	4,894
Charged to profit or loss	396
Exchange realignment	31
At 31 December 2012, as restated	5,321
Year ended 31 December 2013	
At 1 January 2013	**5,321**
Credited to profit or loss	**(59,681)**
Change from a joint venture to a subsidiary	**138,358**
Exchange realignment	**(282)**
At 31 December 2013	**83,716**

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

Deferred tax liabilities	**Fair value gains** HK$'000
Year ended 31 December 2012 (Restated)	
At 1 January 2012	5,357
Credited to profit or loss	–
Exchange realignment	31
At 31 December 2012, as restated	5,388
Year ended 31 December 2013	
At 1 January 2013	**5,388**
Credited to profit or loss	**(60,948)**
Change from a joint venture to a subsidiary	**150,153**
Exchange realignment	**80**
At 31 December 2013	**94,673**

Notes to the Consolidated Financial Statements

27. DEFERRED INCOME TAX *(Continued)*

Deferred tax assets	Tax losses HK$'000
Year ended 31 December 2012 (Restated)	
At 1 January 2012	463
Charged to profit or loss	(396)
At 31 December 2012, as restated	67
Year ended 31 December 2013	
At 1 January 2013	**67**
Charged to profit or loss	**(1,267)**
Change from a joint venture to a subsidiary	**11,795**
Exchange realignment	**362**
At 31 December 2013	**10,957**

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$9,865,000 (As at 31 December 2012: HK$6,732,000) in respect of losses amounting to HK$59,788,000 (As at 31 December 2012: HK$40,799,000) arising in Hong Kong.

28. OTHER BORROWINGS

	Group			Company	
	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated)	As at 1 January 2012 HK$'000 (Restated)	**As at 31 December 2013 HK$'000**	As at 31 December 2012 HK$'000
Loan from local government (i)	**31,969**	–	–	**–**	–
Loan from a director (ii)	**20,000**	–	–	**20,000**	–
Loan from a non-controlling interest (iii)	**10,126**	–	–	**–**	–
Loan from an independent third party (iv)	**5,000**	–	–	**5,000**	–
Less: non-current portion	**(40,252)**	–	–	**–**	–
Current portion	**26,843**	–	–	**25,000**	–

Notes to the Consolidated Financial Statements

28. OTHER BORROWINGS *(Continued)*

(i) Prior to the Group's acquisition of 50% interest in EIHI, a loan from local government, 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. The fair value of this additional loan was initially recognised at 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.

(ii) Loan from a director is unsecured, interest bearing at 19% per annum and repayable on 8 April 2014. Subsequent to the reporting period, the repayment date of the loan has been extended to 31 December 2015.

(iii) Loan from a non-controlling interest is unsecured, non-interest bearing and not repayable within twelve months from 31 December 2013.

(iv) Loan from an independent third party is unsecured, interest bearing at 15% per annum and repayable on 22 January 2014. Subsequent to the reporting period, the repayment date of the loan has been extended to 31 December 2015.

The Group's borrowings were repayable as follows:

	Group			Company	
	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated)	As at 1 January 2012 HK$'000 (Restated)	**As at 31 December 2013 HK$'000**	As at 31 December 2012 HK$'000
Within 1 year or on demand	**26,843**	–	–	**25,000**	–
Between 1 and 2 years	**11,969**	–	–	**–**	–
Between 2 and 5 years	**7,986**	–	–	**–**	–
Wholly repayable within 5 years	**46,798**	–	–	**25,000**	–
Repayable over 5 years	**20,297**	–	–	**–**	–
	67,095	–	–	**25,000**	–

29. 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 ("CB2.1") and HK$30,750,000 ("CB2.2"), respectively to Forrex (Holding) Inc, which is (i) a director of Era Investment (Holding) Inc., a non-wholly owned subsidiary of the Group as at 31 December 2013 and a joint venture of the Group as at 31 December 2012, and (ii) 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, CB2.1 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. 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. 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.

(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 ("CB3")) 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.

29. CONVERTIBLE BONDS *(Continued)*

The Group and the Company *(Continued)*

(a) Convertible bonds – classified as 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 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
Equity component at 1 January 2012, 31 December 2012 and 31 December 2013	21,789	186,400	208,189
Liability component at 1 January 2012	18,523	57,608	76,131
Fair value changes of convertible bonds	267	9,166	9,433
Liability component as at 31 December 2012	18,790	66,774	85,564
Liability component at 1 January 2013	18,790	66,774	85,564
Fair value changes of convertible bonds	307	10,277	10,584
Liability component at 31 December 2013	19,097	77,051	96,148

The liability components of CB1 and CB3, which are treated as share-based payment transactions, are stated at fair values. The fair values of the liability components of CB1 and CB3 are calculated by using the Binomial Option Pricing Model and are within level 3 of the fair value hierarchy. The discount rates used to compute the fair values of CB1 and CB3 are 13.17% and 14.01% respectively.

If the discount rate has increased or decreased by 50 basis points, the fair value loss on convertible bonds classified as share-based payment transactions would change by HK$318,000. The higher the discount rate, the lower the fair value loss.

29. CONVERTIBLE BONDS *(Continued)*

The Group and the Company *(Continued)*

(b) Convertible bonds – not classified as share-based payment transactions

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 is set out below:

	CB2.2
Date of issue	**26.10.2010**
Maturity date	**31.05.2016(i)**
	HK$'000
Liability component at 1 January 2012	28,848
Interest expense	3,502
Interest accrued	(951)
Gain arising on extinguishment of CB 2.2	(9,337)
Liability component at 31 December 2012	22,062
Liability component at 1 January 2013	22,062
Interest expense	3,253
Interest accrued	(922)
Liability component at 31 December 2013	24,393

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 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.

30. SHARE CAPITAL

	Note	Number of shares		Amount	
		As at 31 December 2013 '000	As at 31 December 2012 '000	**As at 31 December 2013 HK$'000**	As at 31 December 2012 HK$'000
Authorised:					
Ordinary shares of HK$0.0025 each at beginning of the reporting period and end of the reporting period		**32,000,000**	32,000,000	**80,000**	80,000
Issued and fully paid:					
Ordinary shares of HK$0.0025 each at beginning of the reporting period		**1,517,838**	1,011,892	**3,795**	2,530
Issue of shares under the rights issue	(i)	**–**	505,946	**–**	1,265
Ordinary shares of HK$0.0025 each at end of the reporting period		**1,517,838**	1,517,838	**3,795**	3,795

Notes:

(i) 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.

31. SHARE-BASED PAYMENT TRANSACTIONS

(a) Convertible bonds as share-based payment transactions

As set out in note 29, 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.

(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).

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.

Notes to the Consolidated Financial Statements

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

(b) Share Options Scheme *(Continued)*

The following table discloses movements of the Company's share options held by directors, consultant and employees during the year ended 31 December 2013:

	Number of share options							
Name/Category of participants	Adjusted outstanding as at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted outstanding and exercisable as at 31 December 2013	Date of grant	Exercise period	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
	–	15,170,000	–	–	15,170,000	18 January 2013	18 January 2013 – 17 January 2023	HK$0.118
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	15,170,000	–	–	46,902,651			

Notes to the Consolidated Financial Statements

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

(b) Share Options Scheme *(Continued)*

	Number of share options							
Name/category of participants	Adjusted outstanding as at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted outstanding and exercisable as at 31 December 2013	Date of grant	Exercise period	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
Total	55,165,650	–	–	–	55,165,650			
Total of all categories	**86,898,301**	**15,170,000**	**–**	**–**	**102,068,301**			
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 2013.

Notes to the Consolidated Financial Statements

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

(b) Share Options Scheme *(Continued)*

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							
Name/category of participants	Adjusted outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted outstanding and exercisable as at 31 December 2012	Date of grant	Exercise period	Adjusted exercise 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			

Notes to the Consolidated Financial Statements

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

(b) Share Options Scheme *(Continued)*

Name/category of participants	Number of share options: Adjusted outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted outstanding and exercisable as at 31 December 2012	Date of grant	Exercise period	Adjusted exercise per share (i)
Category 2: Employees/Consultant								
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			

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

(b) Share Options Scheme *(Continued)*

The fair value of the options granted during the years ended 31 December 2013 and 31 December 2012 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 – 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 years ended 31 December 2013 and 2012.

Share options expenses of HK$763,000 were recognised in profit or loss during the year (2012: HK$411,000) and the corresponding amount has been credited in the share-based payment reserve.

At the end of reporting period, the Company had 102,068,301 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 102,068,301 additional ordinary shares of the Company and additional share capital of HK$255,171 and share premium of HK$36,453,717.

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

(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. During the year ended 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.

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 2013:

	Number of warrants (i)						
Name	Adjusted outstanding as at 1 January 2013	Granted during the year	Exercised during the year	Adjusted outstanding as at 31 December 2013	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.

Notes to the Consolidated Financial Statements

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

(c) Warrants *(Continued)*

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

	Number of warrants						
Name	Adjusted outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Adjusted outstanding as at 31 December 2013	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

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;

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

(c) Warrants *(Continued)*

(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 ended 31 December 2013 has been reached by Ms. Ma and the overall performance of Ms. Ma for the year ended 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 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;

(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 2013, the Company had 109,739,687 (31 December 2012: 109,739,687) warrant shares outstanding. Furthermore, warrant shares expense of HK$1,215,000 was recognised in profit and loss during the year (2012: HK$3,347,000), 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.

32. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current year and prior years are presented in the consolidated statement of changes in equity on pages 35 and 36 of the consolidated financial statements.

(a) Contributed surplus

Pursuant to a special resolution passed at the extraordinary general meeting of the Company on 1 September 2010, a contributed surplus account was designated by the Company within the meaning of the Companies Act 1981 of Bermuda so as to carry the amounts as follows: (i) the entire amounts standing to the credit balance of the share premium account of 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.

(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.

Notes to the Consolidated Financial Statements

32. RESERVES *(Continued)*

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000 (Note 31)	Warrant shares reserve HK$'000 (Note 31)	Convertible bonds equity reserve HK$'000 (Note 29)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	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 arrangements	–	–	411	–	–	–	411
At 31 December 2012	117,577	31,713	221,765	7,280	28,609	(226,081)	180,863
At 1 January 2013	**117,577**	**31,713**	**221,765**	**7,280**	**28,609**	**(226,081)**	**180,863**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(82,127)**	**(82,127)**
Equity-settled warrant shares arrangement	**–**	**–**	**–**	**1,215**	**–**	**–**	**1,215**
Employee share options scheme							
Equity-settled share options arrangement	**–**	**–**	**763**	**–**	**–**	**–**	**763**
At 31 December 2013	**117,577**	**31,713**	**222,528**	**8,495**	**28,609**	**(308,208)**	**100,714**

The loss attributable to equity holders of the Company for the year ended 31 December 2013 is dealt with in the financial statements of the Company to the extent of HK$33,184,000 (2012: HK$20,680,000).

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.

33. BUSINESS COMBINATION

Undertaking of 50% shareholding in a joint venture

(i) On 16 January 2013, Forrex (Holding) Inc. ("Forrex") who jointly controls EIHI with Grand Creation Investments Limited ("Grand Creation"), a wholly-owned 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.

The fair values of the identifiable assets and liabilities of EIHI as at the date of change from a joint venture to a subsidiary are as follows:

	Fair value recognised on the date of change from a joint venture to a subsidiary HK$'000
Property, plant and equipment	28,805
Cemetery assets use rights	585,271
Intangible assets	15,420
Deferred income tax assets	11,795
Inventories	7,243
Trade and other receivables	754
Cash and cash equivalents	568
Trade and other payables	(19,733)
Other borrowings	(76,999)
Deferred income tax liabilities	(150,153)
Total identifiable net assets	402,971
Non-controlling interests	(251,082)
	151,889
Consideration	
Fair value of equity interest in EIHI held before the business combination	151,889

	HK$'000
Cash consideration	–
Cash and cash equivalents acquired	568
Net inflow of cash and cash equivalents included in cash flows from investing activities	568

The Group recognised a gain of HK$463,000 as a result of measuring at fair value its 50% equity interest in EIHI before the business combination. The gain is included in other loss, net in the consolidated income statement for the year ended 31 December 2013.

34. FINANCIAL INSTRUMENTS BY CATEGORY

(a) *The Group*

	Loans and receivables HK$'000	Assets at fair value through the profit & loss HK$'000	Total HK$'000
31 December 2013			
Assets as per balance sheet			
Derivative financial instrument	–	583	583
Deposits and other receivables	2,239	–	2,239
Cash and cash equivalents	8,426	–	8,426
Total	10,665	583	11,248

	Liabilities at fair value through the profit & loss HK$'000	Other financial liabilities at amortised cost HK$'000	Total HK$'000
Liabilities as per balance sheet			
Other borrowings	–	67,095	67,095
Loan from a non-controlling interest	–	2,535	2,535
Convertible bonds	96,148	24,393	120,541
Trade and other payables	–	11,549	11,549
Total	96,148	105,572	201,720

Notes to the Consolidated Financial Statements

34. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

(a) ***The Group*** *(Continued)*

	Loans and receivables HK$'000	Assets at fair value through the profit & loss HK$'000	Total HK$'000
31 December 2012 (Restated)			
Assets as per balance sheet			
Derivative financial instrument	–	1,771	1,771
Deposits and other receivables	5,759	–	5,759
Balance with a joint venture	36,728	–	36,728
Cash and cash equivalents	11,260	–	11,260
Total	53,747	1,771	55,518

	Liabilities at fair value through the profit & loss HK$'000	Other financial liabilities at amortised cost HK$'000	Total HK$'000
Liabilities as per balance sheet			
Convertible bonds	85,564	22,062	107,626
Trade and other payables	–	3,988	3,988
Total	85,564	26,050	111,614

Notes to the Consolidated Financial Statements

34. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

(a) ***The Group*** *(Continued)*

	Loans and receivables HK$'000	Assets at fair value through the profit & loss HK$'000	Total HK$'000
1 January 2012 (Restated)			
Assets as per balance sheet			
Derivative financial instrument	–	2,461	2,461
Deposits and other receivables	821	–	821
Balance with a joint venture	24,658	–	24,658
Cash and cash equivalents	32,045	–	32,045
Total	57,524	2,461	59,985

	Liabilities at fair value through the profit & loss HK$'000	Other financial liabilities at amortised cost HK$'000	Total HK$'000
Liabilities as per balance sheet			
Convertible bonds	76,131	28,848	104,979
Trade and other payables	–	2,755	2,755
Total	76,131	31,603	107,734

Notes to the Consolidated Financial Statements

34. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

(b) The Company

	Loans and receivables HK$'000	Assets at fair value through the profit & loss HK$'000	Total HK$'000
31 December 2013			
Assets as per balance sheet			
Derivative financial instrument	–	583	583
Other receivables	100	–	100
Cash and cash equivalents	949	–	949
Total	1,049	583	1,632

	Liabilities at fair value through the profit & loss HK$'000	Other financial liabilities at amortised cost HK$'000	Total HK$'000
Liabilities as per balance sheet			
Other borrowings	–	25,000	25,000
Convertible bonds	96,148	24,393	120,541
Other payables	–	480	480
Total	96,148	49,873	146,021

34. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

(b) ***The Company*** *(Continued)*

	Loans and receivables HK$'000	Assets at fair value through the profit & loss HK$'000	Total HK$'000
31 December 2012 (Restated)			
Assets as per balance sheet			
Derivative financial instrument	–	1,771	1,771
Other receivables	1	–	1
Cash and cash equivalents	691	–	691
Total	692	1,771	2,463

	Liabilities at fair value through the profit & loss HK$'000	Other financial liabilities at amortised cost HK$'000	Total HK$'000
Liabilities as per balance sheet			
Convertible bonds	85,564	22,062	107,626
Amounts due to subsidiaries	–	52	52
Other payables	–	2,376	2,376
Total	85,564	24,490	110,054

35. 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 2012: one to two 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 2013 HK$'000	As at 31 December 2012 HK$'000
Within one year	**2,297**	3,734
In the second to fifth years inclusive	**1,576**	450
	3,873	4,184

Commitment of HK$450,000 (2012: HK$1,350,000) is related to operating commitment with a company owned by a director.

36. CAPITAL COMMITMENTS

As at 31 December 2013 and 31 December 2012, the Group and the Company did not have any capital commitments.

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed in notes 17, 22, 26 and 28 in the consolidated financial statements, the Group had entered into the following significant related party transactions during the year:

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Rent paid to a company owned by a director	**975**	666
Acquisition of a subsidiary from a director	**–**	12
Interest paid to a company owned by a director	**300**	300
Interest paid to a director	**3,151**	45
Interest paid to a non-controlling interest	**923**	37
Interest paid to a shareholder of a joint venture	**–**	923
Management fee paid to a non-controlling interest	**900**	–

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 is as follows:

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000
Short-term benefits	**6,398**	6,063
Share-based payments	**763**	–
	7,161	6,063

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

37. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other related party balances and transactions

As at 31 December 2012, amount due from a joint venture of approximately HK$36,728,000 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 year are set out in notes 22, 26 and 28 to the consolidated financial statements.

38. EVENTS AFTER THE REPORTING PERIOD

On 10 March 2014, the Company entered into a loan agreement for a revolving facilities of up to HK$50 million with an independent third party, the loan is unsecured and interest bearing of 12% per annum and the facilities line is available for 2 years from the date of the loan agreement.

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 2013 HK$'000	31 December 2012 HK$'000 (Restated)	31 December 2011 HK$'000 (Restated)	31 March 2011 HK$'000	31 March 2010 HK$'000
Revenue	**39,427**	9,732	7,423	66,099	49,108
Loss attributable to owners of the Company	**(130,332)**	(45,327)	(182,474)	(62,090)	(9,840)
Total assets	**490,873**	285,507	265,805	345,399	27,268
Total liabilities	**(302,871)**	(126,630)	(115,700)	(173,639)	(18,049)
Net assets	**188,002**	158,877	150,105	171,760	9,219

Notes:

(i) The results and assets and liabilities of the Group for the year ended 31 December 2013 have been extracted from the consolidated income statement and consolidated statement of financial position as set out on pages 30 and 32 to 33 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.

(iii) The results and assets and liabilities of the Group prior to 31 March 2011 have not been restated by using equity method to account for a joint venture.