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SAGE

**Sage International Group Limited**

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

Stock Code: 8082

# Benevolence & Innovation

Annual Report 2014

**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.**

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





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# About SAGE



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

Currently, SAGE's principal line of business is the provision of deathcare services for Greater China and regional customers in both the at-need and preneed funeral sectors. SAGE is committed to revolutionize the deathcare industry through innovative thinking and aiming at becoming a leading provider of deathcare services in the Asia. We aspire to have our brand be synonymous with the deathcare industry. On the other hand, SAGE is also continuously looking for other business opportunities which could generate attractive operating cash flow and growth potential creation of shareholder's value.

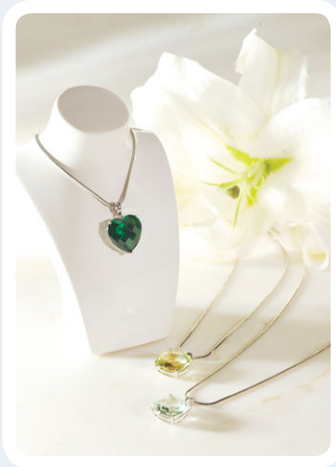


# Sage at a Glance

## 2014

### February

The 9th Hong Kong Pet Show 2014



### May

Asia Funeral and Cemetery Expo & Conference



### July

Senior Expo Asia



# 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

Mr. Jip Ki Chi

## 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

Unit 3408, 34/F  
China Merchants Tower  
Shun Tak Centre  
168–200 Connaught Road Central  
Sheung Wan 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  
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

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# 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 2014.

Although the Group has already developed a well-established foundation and gained the recognition within the deathcare industry over the past few years, this year is another challenging year for the Group. As mentioned in the circular dated 31 December 2014, various factors like industry competition in PRC deathcare business caused delay in achieving the long term development plan of the Group. As a result, the Group underwent a major group restructuring in financial year 2014 and proposed a very substantial disposal ("VSD") on 2 April 2014 of all the cemetery assets ("Disposed Cemetery Assets") of the Group with an objective to deleverage the Group's current heavy borrowing

and improve the operating efficiency of the Group. The Directors consider that it would be in the interest of the Company to effect the VSD as they believe that the disposal would have a positive impact on the financial well-being of the Group. The VSD was completed after the year end on 17 February 2015.

The Group remains optimistic about the future prospects of the deathcare industry, and the Group would continue to keep the funeral services business in Hong Kong and also to develop its funeral and cremation services in Huaiji, Guangdong Province. It will also provide cemetery management consultancy services to certain cemeteries in the Disposed Cemetery Assets. These changes will keep the Group to operate in a "Light Assets" mode that could provide more flexibilities and leverage the Group's



## Chairman's Statement

human capital and experience in the deathcare industry. The Group will also continue to develop oversea network and to expand the deathcare services internationally.

On the business side, during the financial year ended 31 December 2014, the Group's business operation remained on the provision of deathcare services and cemetery operation. The Company has been actively undergoing plans to improve its business operation and cash flow position under the following measures:

- (1) improving revenue by expanding its market and product line in local and international deathcare business (Singapore, Korea and Taiwan) through its existing network in the industry;
- (2) improving profit margin by providing more high-end products and services like Eternity Gem ("EGEM") and customized funeral services; and
- (3) reducing operating costs like rental and salaries.

Further, to ensure that the Group has sufficient working capital and net asset value after the VSD for operation of the Group's business, the Company, therefore, entered into the Placing Agreement and the Underwriting Agreement and raised

approximately HK\$83 million funding as equity capital for future development in deathcare business and other business opportunities that may be identified in the future. Such fund raising exercise was completed subsequent to the year end on 17 February 2015.

With the implementation of all the above measures and the fund raised, the Company will be turning around from the previous negative operating cash flow situation. I believe the Group is now in a position of strong sustainability for future development and growth, either in the deathcare and related business or possible future opportunity in other business to be identified.

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





# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue and gross profits – Continuing operations

For the year ended 31 December 2014, the total revenue of continuing operations (which mainly consists of the funeral services and crematorium) decreased by 40.24% to approximately HK\$11,635,000 (year ended 31 December 2013: HK\$19,470,000). The decrease in revenue was mainly attributed by the gradual shift of the agency referral business to self network generated business in the funeral cases. This shift started in early 2014 and a more profitable margin was expected because less agency commission was necessary.

The overall gross profit margin of the continuing operations for the year was approximately 58.99% and increased as compared with that of last year corresponding period of approximately 55.31%.

### Sales and marketing expenses – Continuing operations

Sales and marketing expenses of continuing operation for the current year was approximately HK\$3,848,000, which was 59.09% less than last corresponding period of approximately HK\$9,407,000. After previous year's intense marketing effort at setting up stage, the continuing operations was able to reduce significantly its corporate marketing activities during the year and resulted in reduction in such expenses. Moreover, less commission was paid in Hong Kong funeral services business to external agents because more internally generated sales from business network developed were derived for funeral cases.

### Administrative expenses – Continuing operations

Administration expenses of the continuing operations for the current year amounted to approximately HK\$24,624,000 which was in line with that of last corresponding period of approximately HK\$23,887,000. The management has implemented cost reduction programs during the year which included the reduction of rental expenses, director's remuneration and staff costs, however, the decrement was offset by the increase in the legal and professional fee incurred for the very substantial transaction ("VSD") transaction.

### Finance costs – Continuing operations

Finance costs of the continuing operations for the current year amounted to approximately HK\$6,220,000, which was 78.17% more than that of last corresponding period of HK\$3,491,000. The increase in the finance costs was a result of the additional borrowing incurred by the Group during the year.

### Loss for the year from continuing operations

Loss for the year from continuing operations amounted to approximately HK\$27,570,000 which is 11.28% greater than that of last year loss of approximately HK\$24,775,000. The increase was mainly attributable to higher professional fee for the VSD and finance cost.

### Loss for the year from discontinued operations

The revenue from discontinued operations (which mainly consists of cemetery business) amounted to approximately HK\$31,445,000 for the current year and was 57.56% higher than that of last year of approximately HK\$19,957,000. The increase was mainly due to the increase in revenue of Suzhou Cemetery from sales of burial plots during the year. Expenses decreased from approximately HK\$304,637,000 in year 2013 to HK\$64,790,000 in year 2014. The decrease was attributable to the effect of an impairment loss on the cemetery assets use rights of approximately HK\$230,160,000 (HK\$172,620,000 after tax) in last year. As such, loss for the year from discontinued operations decrease to approximately HK\$32,714,000 in year 2014.

### Loss for the year

The Group's loss for the year was approximately HK\$60,284,000 and was 75.86% less than that of last corresponding period of HK\$249,706,000. The main reasons for such reduction in loss include (i) the effect of the cost control measures implemented during the year; (ii) increase in contribution from sales in Suzhou Cemetery operation and (iii) the inclusion of an after tax impairment loss of approximately HK\$173 million of Suzhou Cemetery in last corresponding period as discussed above.



## Management Discussion and Analysis

### OPERATION REVIEW

For various factors mentioned in the circular dated 31 December 2014 which caused difficulties in achieving the development plan of the Group, the Company proposed a VSD on 2 April 2014 for the disposal of all the cemetery assets of the Group with an objective to deleverage the Group's current borrowing and such VSD was subsequently completed on 17 February 2015. Under the Group's accounting policies, the assets and corresponding liabilities of cemeteries to be disposed as at 31 December 2014 are separately disclosed as assets and liabilities of disposal group held-for-sale in the consolidated statement of financial position while the segment results of the Group's cemetery business are classified as a discontinued operation.

During the financial year ended 31 December 2014, the Group's business operation was mainly focusing on the provision of deathcare services and cemetery operation. The Company has been undergoing plans to improve its cash flow situation under the following measures:

- (1) improving revenue by expanding its market and product line in local and international deathcare business through its existing network in the industry;
- (2) improving profit margin by providing more high-end products and services like EGEM and customized funeral services; and
- (3) reducing operating costs like rental and salaries.

Further, to ensure that the Group has sufficient working capital and net asset value after the VSD for operation of the Group's business, the Company, therefore, prior to year end, entered into the Placing Agreement and the Underwriting Agreement and subsequently, after year end on 17 February 2015, raised approximately HK\$83 million funding as equity capital for future development in deathcare business and other business opportunities that may be identified in the future.

#### Operation Review – Hong Kong

##### ***Funeral services, Eternity Gem and pre-planning funeral arrangement***

During the year ended 31 December 2014, the Group's Hong Kong funeral services recorded a revenue of approximately HK\$3,443,000 and had a 70.77% decrease as compared with the corresponding period in 2013. The decrease in revenue was a result of the shift of the agency referral business to self-network generated business in funeral cases starting from early 2014. Such change has generated a relatively profitable margin because less agency commission was necessary. During the year, marketing and promotion efforts were focused on network collaboration and on-line marketing that could bring in more business opportunities in the foreseeable future. During the period, revenues were mainly generated from sales of funeral packages and also the newly developed product, Sage Eternity Gem ("EGEM"), the transformation of cremated ash into durable memorial gem stone. EGEM gained popularity during the year and sales of EGEM increased during the year as a result of exhibition, promotion programmes, cooperation with major local and overseas funeral service providers and pet shops. Following the recent government's new proposed policy on regulating columbarium in Hong Kong, preserving human ashes into gemstones will become more and more popular. Therefore, the Group believes that green burial will be a popular alternative to traditional burial for memorial of beloved one.





## Management Discussion and Analysis

During the year ended 31 December 2014, the Group also conducted a number of other marketing and networking activities for preneed products. These included talks and presentations on life education to community and non-profit organizations on preneed arrangement and green burial. Senior Expo and Asia Funeral Expo were held successfully in the middle of 2014. Cooperation with financial planner and other insurance agents were underway to expand the group's distribution network. Recently, we had also signed an agreement with a major local financial services group to promote and distribute our tailored funeral services through its well-developed network.

### Operation Review – China Cemeteries

#### *Suzhou Cemetery*

The financial performance of Suzhou Cemetery for the year ended 31 December 2014 was in line with the Group's expectation and business operation was expanding gradually. Revenue of Suzhou Cemetery for the current period was approximately HK\$30,461,000 and shows an increase of 60.79% as compared with last corresponding period. The increase was mainly attributed to the successful expansion of local distribution network in Suzhou and nearby region and effect on the improvement of sales and marketing skills of sales team deployed recently. The selling price of burial plots of Suzhou Cemetery also improved gradually since the beginning of 2014 because of the ongoing promotion and brand building activities.

#### *Huaiji Cemetery*

On the other hand, the performance of Huaiji Cemetery was not satisfactory and sales did not reach the original budget during the year ended 31 December 2014. Revenue of Huaiji Cemetery for the year ended 31 December 2014 was approximately HK\$412,000. The Company considered such unsatisfactory result is due to insufficient advertising campaign and promotion. As a result, an impairment on the cemetery asset use right of approximately HK\$3,102,000 was considered necessary and provided for during the year ended 31 December 2014.

#### *Bijie Cemetery*

The cemetery was still under the development stage with no significant progress during the year. Negotiation was still on progress with local authority for certain cemetery operation and land approval. As a result, no revenue was generated from Bijie Cemetery during the year ended 31 December 2014.

## FUNERAL SERVICES AND CREMATORIUM

### Huaiji Funeral Parlour

Cremation business operation in Huaiji was performing steadily in the year ended 31 December 2014 and revenue during the year was approximately HK\$8,192,000, an 6.49% increase as compared with last year of approximately HK\$7,693,000. In order to maintain a high quality of service, the Group will put forward plans to improve the repair and maintenance works in the foreseeable future.

### Prospects

The Group is still optimistic about the deathcare business in the region because of the ageing of population and growth in wealth of people in the region. The Board is pleased to see that the benefits of the cost reduction measures were reflected in the year ended 31 December 2014. Together with the continuing streamlining of the business model and new revenue sources, the Group foresees the operating results should be improving in the coming years.

After the completion of the VSD and the related fund raising exercise which raised approximately HK\$83 million cash, the Group will have sufficient working capital and funding for further development in deathcare related business. With the available surplus cash, the Group will also seek other suitable investment opportunities in deathcare and other business sectors that could bring in attractive shareholder's value.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group has cash and bank balances of approximately HK\$11,767,000 (as at 31 December 2013: HK\$8,426,000) and the total assets of the Group were HK\$477,770,000 (as at 31 December 2013: HK\$490,873,000). The net current assets of the Group were approximately HK\$144,131,000 (as at 31 December 2013: HK\$69,475,000) and the Group's current ratio, which represents the current assets over its current liabilities, was approximately 1.47 times (as at 31 December 2013: 2.24 times). The gearing ratio of the Group as at 31 December 2014 (calculated by the total interest bearing debts of HK\$88,087,000 over equity attributable to the owners of the Company of negative HK\$18,447,000) is -477.51% (2013: 194.85%).

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 proposed the VSD transaction and entered into the Placing Agreement and the Underwriting Agreement and raised approximately HK\$83 million funding as equity capital for future development in deathcare business and other business opportunities that may be identified in the future. Such fund raising exercise was completed subsequent to the year end on 17 February 2015.



## Management Discussion and Analysis

### 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

On 2 April 2014, the Company has entered into a sale and purchase agreement to dispose of its 100% equity interests in Reliance Death Care Services Inc. and its subsidiaries, which mainly operates cemetery business in Mainland China, to Great World Investors Limited by setting off against two convertible bonds with face values of HK\$30,750,000 (and the interest accrued thereon) and US\$12,500,000 (equivalent to approximately HK\$97,175,000) respectively, and the loan from the Company's chairman of HK\$10,000,000. The disposal was completed on 17 February 2015. Details of the disposal are disclosed in the announcements and the circular of the Company dated 13 June 2014, 31 December 2014 and 17 February 2015.

### CURRENCY RISK EXPOSURE

As at 31 December 2014, 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 2014, the Group had 130 employees and including Directors (31 December 2013: 125). Total staff costs for the year ended 31 December 2014, including Directors' remuneration, amounted to approximately HK\$18,798,000 (31 December 2013: approximately HK\$25,985,000). 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 2014.

# 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.

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 2014.

## 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 ensure that the Board procedures and all applicable rules and regulations are followed.

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

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

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

## Corporate Governance Report

### 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 names of Independent Non-Executive Directors are expressly identified and disclosed in all corporate communications of the Company. Independent Non-Executive Directors are invited to serve on the Audit, Nomination and Remuneration Committees of the Company.

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

During the year ended 31 December 2014, 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 approve their performance-based remuneration, review and approve 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.



## Corporate Governance Report

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. 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 2014 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 2014 are set out in the following table:

Name of Directors	Attendance/Number of meetings				
	Board Meetings	RC Meetings	NC Meeting	AC Meetings	General Meetings
<b>Executive Directors</b>					
Mr. Chui Bing Sun (Chairman)	12/13	N/A	N/A	N/A	2/2
Mr. Kwok Kwan Hung	13/13	N/A	N/A	N/A	2/2
<b>Independent Non-executive Directors</b>					
Mr. Chan Wai Man	12/13	1/2	0/1	4/5	1/2
Mr. Law Yee Man, Thomas	13/13	2/2	1/1	5/5	2/2
Mr. Siu Hi Lam, Alick	13/13	2/2	1/1	5/5	2/2

### AUDITOR’S REMUNERATION

The consolidated financial statements of the Company for the year ended 31 December 2014 have been audited by PricewaterhouseCoopers. During the year, remuneration of approximately HK\$1,450,000 (31 December 2013: HK\$1,450,000) and HK\$1,250,000 (31 December 2013: HK\$350,000) 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 2014 is set out below:

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

## Corporate Governance Report

### 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 2014 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 2014, 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 24 to 25 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. Jip Ki Chi, being the secretary of the Company, has taken not less than 15 hours of relevant professional training during the year ended 31 December 2014.

### 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 ensure that the Directors are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses.

## Corporate Governance Report

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.

### 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 2014 in respect of the major operations 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 38, 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 49, joined the Group on 23 November 2007 and is the Executive Director and compliance officer of the Group overseeing the operation, financial and compliance functions of the Group. 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.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Wai Man (“Mr. Chan”)**, aged 49, 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) and Well Way Group Limited (stock code: 8063).

**Mr. Law Yee Man, Thomas (“Mr. Law”)**, aged 57, 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 60, joined the Group on 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) and Get Nice Holdings Limited (stock code: 64). 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

**Ms. Ma Pun Sai, Betsy (“Ms. Ma”)**, aged 49, was appointed as the director of sales and marketing of the Group in January 2012. 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 48, 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.

**Mr. Jip Ki Chi (“Mr. Jip”)**, aged 45, joined the Group on 16 June 2014 and was appointed as the CFO and Company Secretary in September 2014. Mr. Jip is a fellow member of The Hong Kong Institute of Certified Public Accountant (“HKICPA”) and is a Certified Practising Accountant of CPA Australia (“CPA (Aust.)”). Mr. Jip has a wealth of experience in account, finance, management and company secretarial field and is currently an independent non-executive director of China Meidong Auto Holdings Limited (Stock code: 1268).

# Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2014.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 18 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 2014 are set out in note 5 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement on pages 26 to 27. The Directors do not recommend the payment of a dividend for the year ended 31 December 2014 (31 December 2013: 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 120 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 2014 is set out in note 15 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements during the year ended 31 December 2014 in the share capital of the Company are set out in note 30 to the consolidated financial statements.

During the year ended 31 December 2014, 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, if any. The Company had no reserves available for distribution as at 31 December 2014.

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2014 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. Kwok Kwan Hung and Mr. Siu Hi Lam, Alick will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## DIRECTORS' SERVICE CONTRACTS

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

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

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

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited. The Company considers all of the Independent Non-Executive Directors are independent.

## Directors' Report

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

At 31 December 2014, 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 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	18,359,400	135,771,556	154,130,956	86.77%
	Personal	2	600	984,465	985,065	0.55%
	Person acting in concert	3	–	67,063,904	67,063,904	37.76%
			18,360,000	203,819,925	222,179,925	125.08%
Mr. Kwok Kwan Hung	Personal	4	66,000	3,349,446	3,415,446	1.92%
Mr. Law Yee Man, Thomas	Personal	4	40,000	111,734	151,734	0.09%
Mr. Chan Wai Man	Personal	4	27,000	134,080	161,080	0.09%
Mr. Siu Hi Lam, Alick	Personal	4	–	111,734	111,734	0.06%

## Notes:

- New Brilliant Investments Limited ("New Brilliant") was interested in 18,359,400 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\$0.38 per share. Accordingly, New Brilliant was interested in 52,631,578 underlying shares of the Company derived from the convertible bonds. New Brilliant was also interested in 46,421,178 shares under a call option deed entered into with AXA and 36,718,800 shares under the Underwriting Agreement entered into with Convoy and Mr. Chui. New Brilliant is wholly and beneficially owned by Mr. Chui, an Executive Director.
- Mr. Chui had a personal interest in 600 shares and 984,465 underlying shares of the Company. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 983,265 shares at adjusted exercise price of HK\$4.47 per share. Mr. Chui was also interested in 1,200 shares under the Underwriting Agreement.
- Mr. Chui was deemed to be interested in 61,894,904 underlying shares in respect of the convertible bonds issued by the Company to AXA, a party acting in concert with him and 5,169,000 underlying shares pursuant to Mr. Chui's Undertaking to the benefit of AXA.

The Chui's Undertaking was given in favour of AXA as (i) the completion of the Placing I (for details on Placing I, please refer to the announcement of the Company dated 24 June 2014) would require the written consent of AXA as stipulated under an undertaking letter (the "Undertaking") dated 21 January 2011 (as amended on 14 March 2011 and 27 April 2011) executed by the Company in favour of AXA; (ii) AXA is the holder of the Zero Coupon CB which is proposed to be redeemed pursuant to the terms of the Disposal Agreement; and (iii) if the Placing I completes and upon the allotment and issue of the placing shares pursuant to the terms and conditions of the Placing I, the percentage of the issued share capital of the Company held or that will be held by AXA upon conversion of the Zero CB would be diluted. Therefore, in order to procure the grant of written consent of AXA and to ensure the shareholding interests in the Company will not be diluted as a result of the Placing I, Mr. Chui undertakes in favour of AXA under Mr. Chui's Undertaking that if (i) the Placing I completes, and (ii) the Disposal Agreement terminates or lapses, Mr. Chui shall transfer 5,169,000 shares to AXA after the termination or lapse of the Disposal Agreement.

- 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
Ms. Ma Pun Sai, Betsy	Beneficial owner	5,500,000	5,500,000

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 2014.

**(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 2014 were as follows:

Name/Category of participants	Number of share options				Adjusted outstanding and exercisable as at 31 December 2014	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year				
<b>Category 1: Directors</b>								
Mr. Chui	983,265	-	-	-	983,265	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.47
Mr. Kwok Kwan Hung	35,755	-	-	-	35,755	15 February 2008	15 February 2008 – 14 February 2018	HK\$7.38
	111,734	-	-	-	111,734	7 July 2010	7 July 2010 – 6 July 2020	HK\$1.91
	143,020	-	-	-	143,020	12 August 2010	12 August 2010 – 11 August 2020	HK\$5.26
	424,591	-	-	-	424,591	3 December 2010	3 December 2010 – 2 December 2020	HK\$4.77
	1,117,346	-	-	-	1,117,346	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54
Mr. Chan Wai Man	1,517,000	-	-	-	1,517,000	18 January 2013	18 January 2013 – 17 January 2023	HK\$1.18
	22,346	-	-	-	22,346	15 February 2008	15 February 2008 – 14 February 2018	HK\$7.38
Mr. Chan Wai Man	111,734	-	-	-	111,734	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54
	44,693	-	-	-	44,693	12 August 2011	12 August 2011 – 11 August 2021	HK\$3.92
Mr. Law Yee Man, Thomas	67,040	-	-	-	67,040	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54
	111,734	-	-	-	111,734	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54
Mr. Siu Hi Lam, Alick	111,734	-	-	-	111,734	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54
Total	4,690,258	-	-	-	4,690,258			



## Directors' Report

Name/Category of participants	Number of share options				Adjusted outstanding and exercisable as at 31 December 2014	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year				
<b>Category 2: Employees/consultants</b>								
Employees	1,273,773	-	-	(89,387)	1,184,386	7 July 2010	7 July 2010 – 6 July 2020	HK\$1.91
Employees	960,917	-	-	-	960,917	9 September 2010	9 September 2010 – 8 September 2020	HK\$5.13
Employees	715,101	-	-	-	715,101	13 September 2010	13 September 2010 – 12 September 2020	HK\$4.79
Employees	581,020	-	-	(357,551)	223,469	3 December 2010	3 December 2010 – 2 December 2020	HK\$4.77
Consultant	357,551	-	-	-	357,551	14 December 2007	14 December 2007 – 13 December 2017	HK\$6.26
Consultant	518,448	-	-	-	518,448	12 August 2010	12 August 2010 – 11 August 2020	HK\$5.26
Consultant	126,483	-	-	-	126,483	6 September 2010	6 September 2010 – 5 September 2020	HK\$4.43
Consultant	983,265	-	-	-	983,265	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.47
Total	5,516,558	-	-	(446,938)	5,069,620			
<b>Total of all categories</b>	<b>10,206,816</b>	<b>-</b>	<b>-</b>	<b>(446,938)</b>	<b>9,759,878</b>			

Note:

- (i) The share options were lapsed during the year ended 31 December 2014 upon the termination of contract.

## Directors' Report

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

As at year ended 31 December 2014, 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	18,359,400	135,771,556	154,130,956	Long	86.77%
AXA PE Asia Manager Limited	Beneficial owner	2	–	61,894,904	61,894,904	Long	34.85%
	Person acting in concert	2	–	5,169,000	5,169,000	Long	2.91%
		3	–	67,063,904	67,063,904		37.76%
			–	46,421,178	46,421,178	Short	26.13%
MM3 International Limited	Beneficial owner	4	10,000,000	–	10,000,000	Long	5.63%
Forrex	Beneficial owner	5	–	16,356,382	16,356,382	Long	9.21%
Mr. Luwen Kevin Duan	Interest of controlled corporations	4 and 5	10,000,000	16,356,382	26,356,382	Long	14.84%
Mr. Chan Kin Kee	Beneficial owner		11,913,666	–	11,913,666	Long	6.71%
Ms. Ma Pun Sai, Betsy	Beneficial owner		4,696,800	5,500,000	10,196,800	Long	5.74%

## Directors' Report

### Notes:

1. New Brilliant was interested in 18,359,400 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\$0.38 per share. Accordingly, New Brilliant was interested in 52,631,578 underlying shares of the Company derived from the convertible bonds. New Brilliant was also interested in 46,421,178 shares under a call option deed entered into with AXA and 36,718,800 shares under the Underwriting Agreement entered into with Convooy and Mr. Chui. New Brilliant is wholly and beneficially owned by Mr. Chui.
2. AXA PE Asia Manager Limited, a company incorporated in Jersey which is registered under the Jersey Financial Services Commission, managed the fund of 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\$1.570 per share, which represented 61,894,904 shares. The convertible bonds had subsequently been redeemed according to the terms and conditions of the VSD which was completed after year end on 17 February 2015.

AXA was deemed to be interested in 67,063,904 shares, representing (i) 61,894,904 shares and pursuant to the subscription of the convertible bonds issued by the Company as mentioned in above paragraph and (ii) 5,169,000 shares underlying shares pursuant to the Chui's Undertaking.

3. A call option deed and put option deed were entered into between AXA and New Brilliant, pursuant to which AXA was required to sell to New Brilliant the convertible bonds up to a 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 of US\$3,125,000 that was outstanding at the maturity date.
4. 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 EIHI, which is a non-wholly owned subsidiary of the Company.
5. The 3% convertible bond in the principal amount of HK\$30,750,000 was held by Forrex, which is convertible into 16,356,382 shares at the adjusted conversion price of HK\$1.88 per share. Forrex is wholly and beneficially owned by Mr. Duan. Forrex is a corporate director of EIHI, which is a non-wholly owned subsidiary of the Company.

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 3% convertible bond, the maturity date will be extended to 31 May 2016 from the original maturity date which fall due on 30 September 2012. The convertible bonds had subsequently been redeemed according to the terms and conditions of the VSD which was completed after year end on 17 February 2015.

On 16 January 2013, Forrex who jointly controls EIHI with Grand Creation, a wholly own subsidiary of the Company, has given the Forrex Voting 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 the Forrex Voting 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 2014, 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 2014 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 2014 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 2014.

## 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.

## Directors' Report

### DIRECTOR'S INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2014, Mr. Chui, the Chairman and Executive Director of the Company, has disposed interests in the businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group.

As at 31 December 2014, Mr. Chui does not have any interest in the Competing Business.

### 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 2014, the Group made charitable and other donations amounting to approximately HK\$20,000 (31 December 2013: HK\$10,000).

### AUDITOR

During the year ended 31 December 2012, Messrs. Parker Randall CF (H.K.) CPA Limited resigned as auditor of the Company and Messrs. PricewaterhouseCoopers was appointed as auditor of the Company.

The consolidated financial statements of the Company for the year have been audited by PricewaterhouseCoopers, which will retire at the forthcoming AGM and, being eligible, offer themselves for new appointment.

### EVENTS AFTER THE REPORTING PERIOD

On 17 February 2015, the Group completed the sale of the Disposal Group to the Company's chairman by setting off against two convertible bonds with face values of HK\$30,750,000 (and the interest accrued thereon) and US\$12,500,000 (equivalent to approximately HK\$97,175,000) respectively, and loan due to him of HK\$10,000,000. On the same date, the Group also completed the fund raising of net proceeds of approximately HK\$69,180,000 and HK\$13,620,000 through open offer and placement of shares respectively.

On behalf of the Board

**Chui Bing Sun**  
*Chairman*

26 March 2015



# Independent Auditor's Report



羅兵咸永道

## TO THE SHAREHOLDERS OF SAGE INTERNATIONAL GROUP LIMITED

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

We have audited the consolidated financial statements of Sage International Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 26 to 119, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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.

## 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 2014, 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, 26 March 2015

# Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000 (Restated)
<b>Continuing operations</b>			
Revenue	5	<b>11,635</b>	19,470
Cost of sales	7	<b>(4,771)</b>	(8,701)
<b>Gross profit</b>			
		<b>6,864</b>	10,769
Other income	6(a)	<b>947</b>	1,204
Other losses, net	6(b)	<b>(520)</b>	(172)
Sales and marketing expenses	7	<b>(3,848)</b>	(9,407)
Administrative expenses	7	<b>(24,624)</b>	(23,887)
<b>Operating loss</b>			
		<b>(21,181)</b>	(21,493)
Finance income	11	<b>3</b>	368
Finance costs	11	<b>(6,220)</b>	(3,491)
<b>Loss before taxation</b>			
	7	<b>(27,398)</b>	(24,616)
Income tax expense	12	<b>(172)</b>	(159)
<b>Loss for the year from continuing operations</b>			
		<b>(27,570)</b>	(24,775)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	23	<b>(32,714)</b>	(224,931)
<b>Loss for the year</b>			
		<b>(60,284)</b>	(249,706)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(60,436)</b>	(130,332)
Non-controlling interests		<b>152</b>	(119,374)
		<b>(60,284)</b>	(249,706)
<b>Loss attributable to owners of the Company arises from:</b>			
Continuing operations		<b>(27,737)</b>	(24,985)
Discontinued operations		<b>(32,699)</b>	(105,347)
		<b>(60,436)</b>	(130,332)

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

## Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014	2013 (Restated)
<b>Loss per share from continuing and discontinued operations attributable to owners of the Company for the year</b> (expressed in HK\$ per share)	14		
<b>Basic loss per share</b>			
From continuing operations		<b>(0.17)</b>	(0.16)
From discontinued operations		<b>(0.20)</b>	(0.68)
From loss for the year		<b>(0.37)</b>	(0.84)
<b>Diluted loss per share</b>			
From continuing operations		<b>(0.17)</b>	(0.16)
From discontinued operations		<b>(0.20)</b>	(0.68)
From loss for the year		<b>(0.37)</b>	(0.84)

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



# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000 (Restated)
Loss for the year	<b>(60,284)</b>	(249,706)
<b>Other comprehensive (loss)/income:</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	<b>(2,835)</b>	3,049
<b>Total comprehensive loss for the year</b>	<b>(63,119)</b>	(246,657)
<b>Total comprehensive loss for the year attributable to:</b>		
Owners of the Company	<b>(62,736)</b>	(127,826)
Non-controlling interests	<b>(383)</b>	(118,831)
	<b>(63,119)</b>	(246,657)
<b>Total comprehensive loss attributable to owners of the Company arises from:</b>		
Continuing operations	<b>(27,791)</b>	(24,561)
Discontinued operations	<b>(34,945)</b>	(103,265)
	<b>(62,736)</b>	(127,826)

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

# Consolidated Statement of Financial Position

At 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	12,440	51,317
Intangible assets	16	13,242	29,266
Cemetery assets use rights	17	–	260,092
Deposits	20	210	24,848
		<b>25,892</b>	365,523
<b>Current assets</b>			
Inventories	19	201	113,836
Prepayments, deposits and other receivables	20	1,034	2,505
Derivative financial instrument	21	–	583
Cash and cash equivalents	22	5,897	8,426
		<b>7,132</b>	125,350
Assets of disposal group classified as held-for-sale	23	444,746	–
		<b>451,878</b>	125,350
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	24	306	1,132
Loan from a non-controlling interest	25	–	2,535
Other payables and accruals	26(a)	14,454	25,211
Deferred income	26(b)	158	154
Other borrowings	28	10,000	26,843
Convertible bonds	29		
– classified as share-based payment transactions		19,617	–
		<b>44,535</b>	55,875
Liabilities of disposal group classified as held-for-sale	23	263,212	–
		<b>307,747</b>	55,875
<b>Net current assets</b>		<b>144,131</b>	69,475
<b>Total assets less current liabilities</b>		<b>170,023</b>	434,998

## Consolidated Statement of Financial Position

At 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current liabilities</b>			
Deferred income	26(b)	1,452	2,487
Deferred income tax liabilities	27	2,550	83,716
Other borrowings	28	32,000	40,252
Convertible bonds	29		
– classified as share-based payment transactions		–	96,148
– not classified as share-based payment transactions		–	24,393
		<b>36,002</b>	246,996
<b>Net assets</b>			
		<b>134,021</b>	188,002
<b>Equity</b>			
<b>Capital and reserves</b>			
Share capital	30	4,441	3,795
Reserves	32	(22,888)	31,356
Equity attributable to owners of the Company		<b>(18,447)</b>	35,151
Non-controlling interests		<b>152,468</b>	152,851
		<b>134,021</b>	188,002

**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 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	18	78	78
Amounts due from subsidiaries	18	185,031	256,952
		<b>185,109</b>	257,030
<b>Current assets</b>			
Other receivables		–	100
Derivative financial instrument	21	58	583
Cash and cash equivalents	22	2,827	949
		<b>2,885</b>	1,632
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other payables and accruals	26(a)	16,498	8,612
Other borrowings	28	10,000	25,000
Convertible bonds	29		
– classified as share-based payment transactions		116,019	–
– not classified as share-based payment transactions		26,470	–
		<b>168,987</b>	33,612
<b>Net current liabilities</b>		<b>(166,102)</b>	(31,980)
<b>Total assets less current liabilities</b>		<b>19,007</b>	225,050
<b>Non-current liabilities</b>			
Other borrowings	28	32,000	–
Convertible bonds	29		
– classified as share-based payment transactions		–	96,148
– not classified as share-based payment transactions		–	24,393
		<b>32,000</b>	120,541
<b>Net (liabilities)/assets</b>		<b>(12,993)</b>	104,509
<b>Equity</b>			
<b>Capital and reserves</b>			
Share capital	30	4,441	3,795
Reserves	32	(17,434)	100,714
		<b>(12,993)</b>	104,509

**Chui Bing Sun**  
Director

**Kwok Kwan Hung**  
Director

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

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total HK\$'000
	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		
At 1 January 2013	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
At 1 January 2014	<b>3,795</b>	<b>117,577</b>	<b>31,713</b>	<b>25,904</b>	<b>19</b>	<b>222,528</b>	<b>8,495</b>	<b>28,609</b>	<b>(403,489)</b>	<b>35,151</b>	<b>152,851</b>	<b>188,002</b>
Loss for the year	-	-	-	-	-	-	-	-	(60,436)	(60,436)	152	(60,284)
Other comprehensive loss for the year												
Exchange differences on translation of foreign operations	-	-	-	(2,300)	-	-	-	-	-	(2,300)	(535)	(2,835)
Total comprehensive loss for the year	-	-	-	(2,300)	-	-	-	-	(60,436)	(62,736)	(383)	(63,119)
Employee share option scheme												
Equity-settled warrant shares arrangement	-	-	-	-	-	-	(2,118)	-	-	(2,118)	-	(2,118)
Lapse of equity-settled warrant shares arrangement	-	-	-	-	-	-	(6,377)	-	6,377	-	-	-
Issue of shares upon placement	646	10,726	-	-	-	-	-	-	-	11,372	-	11,372
Share issuance costs	-	(116)	-	-	-	-	-	-	-	(116)	-	(116)
At 31 December 2014	<b>4,441</b>	<b>128,187</b>	<b>31,713</b>	<b>23,604</b>	<b>19</b>	<b>222,528</b>	<b>-</b>	<b>28,609</b>	<b>(457,548)</b>	<b>(18,447)</b>	<b>152,468</b>	<b>134,021</b>

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



# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
<b>Operating activities</b>		
Loss before taxation including discontinued operations	<b>(63,424)</b>	(309,296)
Adjustments for:		
Depreciation of property, plant and equipment	<b>4,398</b>	4,239
Amortisation of cemetery assets use rights	<b>7,563</b>	13,632
Amortisation of software license	<b>9</b>	9
Amortisation of deferred income	<b>(305)</b>	(195)
Re-measurement loss of assets of disposal group	<b>2,681</b>	–
Impairment loss on cemetery assets use rights	<b>3,102</b>	230,160
Impairment loss on intangible assets	<b>119</b>	–
Impairment loss on property, plant and equipment	<b>–</b>	11,193
Write-off of property, plant and equipment	<b>472</b>	–
Equity-settled share option expenses	<b>–</b>	763
Equity-settled warrant shares expenses	<b>(2,118)</b>	1,215
Fair value changes on financial instruments	<b>20,395</b>	11,772
Gain on disposal of property, plant and equipment	<b>–</b>	(309)
Gain on disposal of a subsidiary	<b>–</b>	(135)
Gain on change from a joint venture to a subsidiary	<b>–</b>	(463)
Finance income	<b>(28)</b>	(375)
Finance costs	<b>11,315</b>	8,970
Income tax paid	<b>(172)</b>	(91)
Operating cash flows before movements in working capital	<b>(15,993)</b>	(28,911)
Increase in inventories	<b>(1,806)</b>	(3,964)
Decrease in prepayments, deposits and other receivables	<b>151</b>	6,958
Increase in trade payables	<b>133</b>	779
Increase in other payables and accruals	<b>9,113</b>	127
Increase in deferred income	<b>700</b>	2,757
Cash used in operations	<b>(7,702)</b>	(22,254)
Interest received	<b>28</b>	581
Interest paid	<b>(6,220)</b>	(4,290)
<b>Net cash used in operating activities</b>	<b>(13,894)</b>	(25,963)

## Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
<b>Investing activities</b>		
Purchase of property, plant and equipment	(4,124)	(4,004)
Proceeds from disposal of property, plant and equipment	–	722
Proceeds from disposal of a subsidiary	–	3,800
Deposit for land use rights	–	(1,488)
Change from a joint venture to a subsidiary (Note 33)	–	568
<b>Net cash used in investing activities</b>	<b>(4,124)</b>	<b>(402)</b>
<b>Financing activities</b>		
Proceeds from placement of shares, net of issuance costs	11,256	–
Proceeds from other borrowings	32,000	25,000
Repayment of other borrowings	(21,317)	(2,535)
<b>Net cash generated from financing activities</b>	<b>21,939</b>	<b>22,465</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,921</b>	<b>(3,900)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>8,426</b>	<b>11,260</b>
Effects of foreign exchange rate changes, net	(580)	1,066
<b>Cash and cash equivalents at end of the year</b>	<b>11,767</b>	<b>8,426</b>
Represented by		
Cash and cash equivalents	5,897	8,426
Cash and cash equivalents included in assets classified as held for sale	5,870	–
	<b>11,767</b>	<b>8,426</b>

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

# 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 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 Unit 3408, 34/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, 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 18 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 26 March 2015.

## 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 consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise 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 consolidated financial statements, are disclosed in Note 4.

## Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## 2.1 Basis of preparation (Continued)

## (a) Amendments to standards and interpretations adopted by the Group

The following amendments to standards and interpretations are mandatory for financial year beginning on or after 1 January 2014. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2014, and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements Project	Annual Improvements 2010-2012 Cycle	1 July 2014
Annual Improvements Project	Annual Improvements 2011-2013 Cycle	1 July 2014
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

## Notes to the Consolidated Financial Statements

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.1 Basis of preparation (Continued)****(b) New standards and amendments to standards that have been issued but are not effective (Continued)**

The Group has already commenced an assessment of the related impact of adopting the other new standards and amendments to 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 and amendments to standards when they become mandatory.

**(c) New Hong Kong Companies Ordinance (Cap. 622)**

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

**2.2 Going concern**

During the year ended 31 December 2014, the Group reported a net loss of HK\$60,284,000 and had a net operating cash outflow of HK\$13,894,000. As at 31 December 2014, the Group has a shareholders' deficit of HK\$18,447,000. 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 financial position and alleviate its liquidity risk, management has implemented the following measures:

- (i) on 17 February 2015, the Group completed the sale of Reliance Death Care Service Inc. and its subsidiaries (the "Disposal Group") to Great World Investors Limited (the "Purchaser"), a company wholly-owned by the chairman of the Company. The disposal consideration is in the aggregate of HK\$141,200,000 and represents amounts to be satisfied by (a) setting off against the convertible bond issued to AXA Direct Asia II, L.P ("AXA") with the face value of US\$12,500,000 (equivalent to approximately HK\$97,175,000) by procuring AXA to tender this convertible bond to the Company for redemption; (b) setting off against the convertible bond issued to Forrex (Holding) Inc. ("Forrex") with the face value of HK\$30,750,000 and the interest accrued thereon in the amount of HK\$3,275,000 whereas this convertible bond would be first acquired by the Purchaser, and (c) discharging the Group's repayment obligation of the loan from a director of HK\$10,000,000. After completion of this disposal, liquidity of the Group has been improved by releasing aforementioned financial obligations which will fall due in coming two years (Note 23).
- (ii) on 17 February 2015, the Group completed the fund raising of net proceeds of approximately HK\$69,180,000 and HK\$13,620,000 through open offer and placement of shares, respectively. These fund raising activities have improved the cash position of the Group (Note 38).
- (iii) in March 2015, a convertible bond holder, New Brilliant Investments Limited which is wholly-owned by the chairman of the Company, has confirmed its intention to convert the convertible bond with the face value of HK\$20,000,000 into ordinary shares of the Company upon its maturity date on 31 March 2015.



## Notes to the Consolidated Financial Statements

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.2 Going concern (Continued)**

By taking all the above measures, the Company's directors believe that the Group will be able to improve its liquidity position. The directors, after reviewing the Group's cash flow projections which have incorporated the above measures and taking into account the reasonably possible changes in the operational performance, believe that the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2014. 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.

**(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 income statement.

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 income statement 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 income statement.

## Notes to the Consolidated Financial Statements

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Subsidiaries (Continued)****(a) Consolidation (Continued)****(i) Business combinations (Continued)**

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.

**(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 income statement. 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 income statement.

**(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.

## Notes to the Consolidated Financial Statements

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.4 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.

**2.5 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 the income statement.

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 the income statement.

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.

## Notes to the Consolidated Financial Statements

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.6 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 income statement 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.

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 the income statement 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 2.8).

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.

## Notes to the Consolidated Financial Statements

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.7 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 income statement.

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.

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.



## Notes to the Consolidated Financial Statements

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.7 Intangible assets (Continued)****(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.

**2.8 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 income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

**2.9 Non-current assets (or disposal groups) held-for-sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

## Notes to the Consolidated Financial Statements

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.9 Non-current assets (or disposal groups) held-for-sale and discontinued operations***(Continued)*

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

**2.10 Financial assets****(a) Classification**

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables include prepayment, deposits and other receivables and cash and cash equivalents.

**(b) Recognition and measurement**

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised 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 income statement. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

## Notes to the Consolidated Financial Statements

**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 income statement. 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 income statement.

## Notes to the Consolidated Financial Statements

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

**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.

## Notes to the Consolidated Financial Statements

**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.

## Notes to the Consolidated Financial Statements

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.17 Financial liabilities (Continued)****(b) Subsequent measurement****(i) Financial liabilities at amortised cost**

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. Gains and losses are recognised in the income statement 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 income statement.

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 or 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.



## Notes to the Consolidated Financial Statements

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.17 Financial liabilities (Continued)****(b) Subsequent measurement (Continued)****(iii) Convertible bonds not classified as share-based payment transaction (Continued)**

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.

**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 income statement.

**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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

**2.20 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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.

## Notes to the Consolidated Financial Statements

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.20 Current and deferred income tax (Continued)****(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.

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.

## Notes to the Consolidated Financial Statements

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.20 Current and deferred income tax (Continued)****(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 tax 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 income statement 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 income statement as they become payable in accordance with the rules of the central pension scheme.

**(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.

## Notes to the Consolidated Financial Statements

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

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 income statement, 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 income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

## Notes to the Consolidated Financial Statements

**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)*

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.

## Notes to the Consolidated Financial Statements

**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 income statement 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.



## Notes to the Consolidated Financial Statements

**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 income statement 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.

## Notes to the Consolidated Financial Statements

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.25 Revenue recognition (Continued)****(e) Handling fee**

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

**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 income statement 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 income statement 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.

## Notes to the Consolidated Financial Statements

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

### 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 income statement 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 2014 and 31 December 2013 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 2014, if the interest rate of convertible bonds and other borrowings had been 100 basis point (2013: 100 basis point) higher/lower with all other variables held constant, loss for the year would have been HK\$678,000 (2013: HK\$489,000) lower/higher as a result of a decrease/increase in the carrying amounts of fixed rate borrowings.

## Notes to the Consolidated Financial Statements

**3 FINANCIAL RISK MANAGEMENT (Continued)****3.1 Financial risk factors (Continued)****(b) Credit risk**

The Group's principal financial assets include other receivables 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 2014 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

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

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

**(c) Price risk**

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

**(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.

## Notes to the Consolidated Financial Statements

**3 FINANCIAL RISK MANAGEMENT (Continued)****3.1 Financial risk factors (Continued)****(d) Liquidity risk (Continued)**

In order to improve the Group's financial position and alleviate its liquidity risk, management has implemented the following measures:

- (i) on 17 February 2015, the Group completed the sale of Reliance Death Care Service Inc. and its subsidiaries (the "Disposal Group") to Great World Investors Limited (the "Purchaser"), a company wholly-owned by the chairman of the Company. The disposal consideration is in the aggregate of HK\$141,200,000 and represents amounts to be satisfied by (a) setting off against the convertible bond issued to AXA Direct Asia II, L.P ("AXA") with the face value of US\$12,500,000 (equivalent to approximately HK\$97,175,000) by procuring AXA to tender this convertible bond to the Company for redemption; (b) setting off against the convertible bond issued to Forrex (Holding) Inc. ("Forrex") with the face value of HK\$30,750,000 and the interest accrued thereon in the amount of HK\$3,275,000 whereas this convertible bond would be first acquired by the Purchaser, and (c) discharging the Group's repayment obligation of the loan from a director of HK\$10,000,000. After completion of this disposal, liquidity of the Group has been improved by releasing aforementioned financial obligations which will fall due in coming two years (Note 23).
- (ii) on 17 February 2015, the Group completed the fund raising of net proceeds of approximately HK\$69,180,000 and HK\$13,620,000 through open offer and placement of shares, respectively. These fund raising activities have improved the cash position of the Group (Note 38).
- (iii) in March 2015, a convertible bond holder, New Brilliant Investments Limited which is wholly-owned by the chairman of the Company, has confirmed its intention to convert the convertible bond with the face value of HK\$20,000,000 into ordinary shares of the Company upon its maturity date on 31 March 2015.

By taking all the above measures, the Company's directors believe that the Group will be able to improve its liquidity position. The directors, after reviewing the Group's cash flow projections which have incorporated the above measures and taking into account the reasonably possible changes in the operational performance, believe that the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2014.

## Notes to the Consolidated Financial Statements

**3 FINANCIAL RISK MANAGEMENT (Continued)****3.1 Financial risk factors (Continued)****(d) Liquidity risk (Continued)**

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
<b>31 December 2014</b>					
Trade payables	306	–	–	–	306
Other payables and accruals	12,463	1,425	–	–	13,888
Other borrowings (including interest elements)	–	11,900	36,566	–	48,466
Convertible bonds (including interest elements)	20,075	–	–	–	20,075
	<b>32,844</b>	<b>13,325</b>	<b>36,566</b>	<b>–</b>	<b>82,735</b>



## 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
<b>31 December 2013</b>					
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 (including interest elements)	44	27,793	19,955	20,297	68,089
Convertible bonds (including interest elements)	–	300	150,391	–	150,691
	21,742	29,398	170,556	20,297	241,993

## Notes to the Consolidated Financial Statements

**3 FINANCIAL RISK MANAGEMENT (Continued)****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.

The Group monitors capital using a gearing ratio, which is the total liabilities (excluding disposal group) divided by the equity attributable to owners of the Company. The gearing ratios as at 31 December 2014 and 31 December 2013 were as follows:

	2014 HK\$'000	2013 HK\$'000
Current liabilities	<b>44,535</b>	55,875
Non-current liabilities	<b>36,002</b>	246,996
Total liabilities	<b>80,537</b>	302,871
Equity attributable to owners of the Company	<b>(18,447)</b>	35,151
Gearing ratio	<b>N/A</b>	8.62

## Notes to the Consolidated Financial Statements

**3 FINANCIAL RISK MANAGEMENT** *(Continued)***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.

See Note 23 for disclosures of disposal group held for sale that are measured at fair value.

## 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 2014:

	Convertible bonds measured at share-based payment transactions HK\$'000	Derivative financial instrument HK\$'000	Total HK\$'000
Opening balance	(96,148)	583	(95,565)
Transferred to disposal group classified as held for sale	77,051	(583)	76,468
Gains and losses recognised in profit or loss for continuing operations	(520)	–	(520)
Closing balance	(19,617)	–	(19,617)
Total gains or losses for the year including in profit or loss for continuing operations for assets/liabilities held at the end of the year	(520)	–	(520)

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 year including in profit or loss for assets/liabilities held at the end of the year	(10,584)	(1,188)	(11,772)

## Notes to the Consolidated Financial Statements

### 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.

#### (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.

## Notes to the Consolidated Financial Statements

**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.

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

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

**(f) Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. The recoverable amount of a cash-generating unit ("CGU") has 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.



## Notes to the Consolidated Financial Statements

### 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.

### 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.

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 and operating cash.

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

As at 31 December 2014, the cemetery business group has been classified as assets or liabilities of disposal group held for sale (Note 23) and the comparative segment information have been reclassified to discontinued operation for presentation consistency.

## Notes to the Consolidated Financial Statements

## 5 OPERATING SEGMENT INFORMATION (Continued)

The segment results and other segment items for the year ended 31 December 2014 are as follows:

	Mainland China HK\$'000	Hong Kong HK\$'000	Total HK\$'000
<b>Segment revenue:</b>			
Sales to external customers	8,192	3,443	11,635
<b>Operating income/(loss)</b>	718	(5,975)	(5,257)
Unallocated corporate expenses, net			(15,924)
Finance income			3
Finance costs			(6,220)
Loss before taxation			(27,398)
Segment assets	20,621	5,211	25,832
Property, plant and equipment			4
Intangible assets			2,700
Prepayments, deposits and other receivables			62
Cash and cash equivalents			4,426
Assets of disposal group classified as held for sale			444,746
<b>Total assets</b>			477,770
Segment liabilities	(4,766)	(1,511)	(6,277)
Other payables and accruals			(12,643)
Other borrowings			(42,000)
Convertible bonds			
– classified as share-based payment transactions			(19,617)
Liabilities of disposal group classified as held for sale			(263,212)
<b>Total liabilities</b>			(343,749)
<b>Other segment information:</b>			
Depreciation and amortisation	883	1,348	2,231
Unallocated depreciation and amortisation			–
			2,231
Capital expenditure	3,295	829	4,124
Unallocated capital expenditure			–
			4,124

## 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 (Restated)	Hong Kong HK\$'000 (Restated)	Total HK\$'000 (Restated)
<b>Segment revenue:</b>			
Sales to external customers	7,693	11,777	19,470
<b>Operating income/(loss)</b>	845	(8,283)	(7,438)
Unallocated corporate expenses, net			(14,055)
Finance income			368
Finance costs			(3,491)
Loss before taxation			(24,616)
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
<b>Total assets</b>			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)
<b>Total liabilities</b>			(302,871)

## Notes to the Consolidated Financial Statements

5 OPERATING SEGMENT INFORMATION *(Continued)*

	Mainland China HK\$'000 (Restated)	Hong Kong HK\$'000 (Restated)	Total HK\$'000 (Restated)
<b>Other segment information:</b>			
Depreciation and amortisation	597	1,563	2,160
Unallocated depreciation and amortisation			18
			2,178
Capital expenditure	2,780	1,977	4,757
Unallocated capital expenditure			55
			4,812

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

	2014 HK\$'000	2013 HK\$'000 (Restated)
Rendering of funeral and cremation services	11,635	19,470

The Group does not have any major customer which accounts for 10% or more of the total revenue of the Group for the year ended 31 December 2014 and 31 December 2013.

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong is HK\$3,443,000 (2013 (Restated): HK\$11,777,000) and total revenue from external customers in Mainland China is HK\$8,192,000 (2013 (Restated): HK\$7,693,000).

## Notes to the Consolidated Financial Statements

**6 OTHER INCOME AND OTHER LOSSES, NET**

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

**(a) Other income**

	2014 HK\$'000	2013 HK\$'000 (Restated)
Rental income	315	909
Sundry income	632	295
	<b>947</b>	1,204

**(b) Other losses, net**

	2014 HK\$'000	2013 HK\$'000 (Restated)
Gain on disposal of a subsidiary	–	135
Fair value changes on financial instruments	<b>(520)</b>	(307)
	<b>(520)</b>	(172)

Note: Fair value changes on financial instruments consisted of fair value loss on convertible bonds classified as share-based payment transactions of HK\$520,000 (2013 (Restated): HK\$307,000).

## Notes to the Consolidated Financial Statements

**7 LOSS BEFORE TAXATION**

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

	2014 HK\$'000	2013 HK\$'000 (Restated)
Cost of inventories recognised as expense	<b>645</b>	966
Employees benefits expenses (Note 8)	<b>8,885</b>	12,540
Depreciation of property, plant and equipment	<b>2,231</b>	2,178
Auditors' remuneration	<b>1,450</b>	1,450
Equity-settled warrant shares expenses for non-employee	–	494
Minimum lease payments under operating leases in respect of land and buildings	<b>1,843</b>	1,096

**8 EMPLOYEES BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)**

	2014 HK\$'000	2013 HK\$'000 (Restated)
Salaries and other benefits	<b>10,774</b>	10,857
Equity-settled share option expenses	–	763
Equity-settled warrant shares expenses	<b>(2,118)</b>	721
Pension schemes contributions	<b>229</b>	199
	<b>8,885</b>	12,540

## Notes to the Consolidated Financial Statements

## 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 2014

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Equity- settled share option expenses HK\$'000	Pension schemes contributions HK\$'000	Total remuneration HK\$'000
<b>Executive directors:</b>					
Mr. Chui Bing Sun (i)	-	1,684	-	16	1,700
Mr. Kwok Kwan Hung (i)	-	683	-	15	698
	-	2,367	-	31	2,398
<b>Independent non-executive directors:</b>					
Mr. Chan Wai Man	180	-	-	-	180
Mr. Law Yee Man, Thomas	180	-	-	-	180
Mr. Siu Hi Lam, Alick	180	-	-	-	180
	540	-	-	-	540
	540	2,367	-	31	2,938



## Notes to the Consolidated Financial Statements

## 9 DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (Continued)

## Year ended 31 December 2013

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Equity- settled share option expenses HK\$'000	Pension schemes contributions HK\$'000	Total remuneration HK\$'000
<b>Executive directors:</b>					
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
<b>Independent non-executive directors:</b>					
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

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 2014 (2013: Nil).

## Notes to the Consolidated Financial Statements

**10 FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the year included two (2013: two) directors, details of whose remuneration are set out in Note 9 above. Details of the remuneration of the remaining three (2013: three) highest paid employees who are not directors for the year are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries, allowances and benefits in kind	<b>2,082</b>	2,590
Performance related bonuses	–	51
Pension schemes contributions	<b>51</b>	45
	<b>2,133</b>	2,686

There are three (2013: three) highest paid employees who are not directors and whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
Nil – HK\$1,000,000	<b>2</b>	2
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	1
	<b>3</b>	3

## Notes to the Consolidated Financial Statements

**11 FINANCE INCOME AND COSTS**

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

	2014 HK\$'000	2013 HK\$'000 (Restated)
Interest on:		
– Other borrowings wholly repayable within five years	<b>(5,920)</b>	(3,191)
– Convertible bonds	<b>(300)</b>	(300)
<b>Total finance costs</b>	<b>(6,220)</b>	(3,491)
Finance income:		
– Interest income on short-term bank deposits	<b>3</b>	3
– Interest income on notes receivable	<b>–</b>	365
<b>Total finance income</b>	<b>3</b>	368
<b>Net finance costs</b>	<b>(6,217)</b>	(3,123)

**12 INCOME TAX EXPENSE**

	2014 HK\$'000	2013 HK\$'000 (Restated)
Current income tax	<b>(172)</b>	(91)
Deferred income tax	<b>–</b>	(68)
<b>Income tax expense</b>	<b>(172)</b>	(159)

Hong Kong profits tax is calculated at 16.5% (2013: 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 (2013: Nil).

The PRC subsidiaries are subject to the PRC corporate income tax at 25% (2013: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## Notes to the Consolidated Financial Statements

**12 INCOME TAX 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:

	2014 HK\$'000	2013 HK\$'000 (Restated)
Loss before taxation	<b>(27,398)</b>	(24,616)
Tax calculated at domestic tax rates applicable to profits in the respective countries	<b>1,382</b>	848
Income not subject to tax	<b>10</b>	38
Expenses not deductible for tax	<b>(597)</b>	(10)
Others	<b>(41)</b>	(68)
Tax losses for which no deferred income tax asset was recognised	<b>(926)</b>	(967)
Income tax expense	<b>(172)</b>	(159)

**13 DIVIDEND**

No dividend was paid or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: 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 11 July 2014, the Company issued 258,450,000 new ordinary shares through a share placement. The share placement was offered at HK\$0.044 per share and represented a discount to the market price of the then existing shares.

## Notes to the Consolidated Financial Statements

## 14 LOSS PER SHARE (Continued)

## (a) Basic (Continued)

On 1 September 2014, the Group consolidated ten then existing issued shares of HK\$0.0025 and unissued share capital of the Company into one consolidated share of HK\$0.025 in the issued and unissued share capital of the Company.

	2014 HK\$'000	2013 HK\$'000 (Restated)
Loss from continuing operations attributable to owners of the Company	(27,737)	(24,985)
Loss from discontinued operations attributable to owners of the Company	(32,699)	(105,347)
	<b>(60,436)</b>	(130,332)
Weighted average number of ordinary shares in issue (in thousands)	<b>165,559</b>	154,684

## (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 2014 and 31 December 2013.

## 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	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>							
At 1 January 2013	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	-	-	-	-	-	(1,471)	(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	3,224	2,771	74,808
Additions	177	110	2,844	309	107	577	4,124
Write off	-	(1,916)	-	-	-	-	(1,916)
Transferred to disposal group classified as held for sale (Note 23)	(23,439)	(4,302)	(23,251)	(1,773)	(2,934)	(1,040)	(56,739)
Exchange realignment	(200)	(10)	(119)	(22)	(7)	(6)	(364)
<b>At 31 December 2014</b>	<b>11,586</b>	<b>2,693</b>	<b>108</b>	<b>2,834</b>	<b>390</b>	<b>2,302</b>	<b>19,913</b>
<b>Accumulated depreciation</b>							
At 1 January 2013	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
Charge for the year	1,423	1,342	-	516	570	547	4,398
Write off	-	(1,444)	-	-	-	-	(1,444)
Transferred to disposal group classified as held for sale (Note 23)	(14,095)	(1,634)	-	(372)	(2,133)	(685)	(18,919)
Exchange realignment	(43)	(2)	-	(4)	(1)	(3)	(53)
<b>At 31 December 2014</b>	<b>4,358</b>	<b>1,110</b>	<b>-</b>	<b>928</b>	<b>175</b>	<b>902</b>	<b>7,473</b>
<b>Net carrying amounts:</b>							
<b>At 31 December 2014</b>	<b>7,228</b>	<b>1,583</b>	<b>108</b>	<b>1,906</b>	<b>215</b>	<b>1,400</b>	<b>12,440</b>
At 31 December 2013	17,975	5,963	20,634	3,532	1,485	1,728	51,317

## Notes to the Consolidated Financial Statements

## 16 INTANGIBLE ASSETS

	Goodwill HK\$'000	Operating rights HK\$'000	Club membership HK\$'000	Software license HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 January 2013	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
Transferred to disposal group classified as held for sale (Note 23)	–	(15,833)	–	(81)	(15,914)
Exchange realignment	–	(118)	–	(1)	(119)
<b>At 31 December 2014</b>	<b>825</b>	<b>10,146</b>	<b>2,900</b>	<b>–</b>	<b>13,871</b>
<b>Accumulated amortisation and impairment</b>					
At 1 January 2013	429	–	200	–	629
Charge for the year	–	–	–	9	9
At 31 December 2013	429	–	200	9	638
Charge for the year	–	–	–	9	9
Impairment loss	–	119	–	–	119
Transferred to disposal group classified as held for sale (Note 23)	–	(119)	–	(18)	(137)
<b>At 31 December 2014</b>	<b>429</b>	<b>–</b>	<b>200</b>	<b>–</b>	<b>629</b>
<b>Net carrying amounts:</b>					
<b>At 31 December 2014</b>	<b>396</b>	<b>10,146</b>	<b>2,700</b>	<b>–</b>	<b>13,242</b>
At 31 December 2013	396	26,097	2,700	73	29,266



## Notes to the Consolidated Financial Statements

**16 INTANGIBLE ASSETS (Continued)****Impairment tests for goodwill**

For the purpose of impairment testing, goodwill has been allocated to individual CGU that represents subsidiaries engaged in the provision of funeral services.

During the year ended 31 December 2014, the directors determine that there is no additional impairment on the CGUs containing goodwill (2013: Nil).

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 assumption and parameter used for these calculations are as follows:

	2014 HK\$'000	2013 HK\$'000
Long-term growth rate	<b>3.0%</b>	3.0%
Discount rate	<b>15.5%</b>	15.5%

**17 CEMETERY ASSETS USE RIGHTS**

	HK\$'000
At 1 January 2013	–
Change from a joint venture to a subsidiary	585,271
Transferred to inventories	(163,371)
Impairment loss (Note a)	(166,959)
Exchange realignment	5,151
At 31 December 2013	260,092
At 1 January 2014	<b>260,092</b>
Transferred to inventories	<b>(18,410)</b>
Transferred to disposal group classified as held for sale (Note 23)	<b>(240,190)</b>
Exchange realignment	<b>(1,492)</b>
At 31 December 2014	–

## Notes to the Consolidated Financial Statements

**17 CEMETERY ASSETS USE RIGHTS (Continued)**

Note a: During the year ended 31 December 2013, total impairment loss of HK\$230,160,000 for cemetery assets use rights had been charged to the consolidated income statement, of which (i) HK\$166,959,000 was related to cemetery assets use right under non-current assets; and (ii) HK\$63,201,000 was 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 was 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.

Note b: During the year ended 31 December 2014, total impairment loss of HK\$3,102,000 for cemetery assets use rights under current assets has been charged to the consolidated income statement. The impairment loss arose in the cemetery assets use rights in the PRC following the intense local competition for operating cemetery in Huaji during the year. The Group is 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 conducted during the year, the recoverable amount of cemetery assets use rights was 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% – 17.78%
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 management based on past performance and its expectation for market development.

**18 INVESTMENTS IN SUBSIDIARIES – COMPANY**

	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	78	78
Amounts due from subsidiaries	319,126	305,895
Less: provision for impairment	(134,095)	(48,943)
	<b>185,031</b>	256,952

The amounts due from 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

## 18 INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Particulars of the principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ establishment, registration and operations	Issued ordinary/paid- up registered capital	Percentage of equity attributable to the Company		Principal activities
			2014 %	2013 %	
Billion Station Limited (i)	British Virgin Islands ("BVI"), limited liability company	US\$10,000	100	100	Investment holding
Solar Finance Limited (Formerly known as Checkmate Securities Advisors Limited)	Hong Kong ("HK"), limited liability company	HK\$5,000,000	100	100	Money lending
EGEM Technology Development Limited	BVI, limited liability company	US\$10,000	60	–	Inactive
Glory Prospect Limited (vi)	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 (vi)	BVI, limited liability company	US\$1	100	100	Investment holding
Sage Dignity Services Limited	HK, limited liability company	HK\$100	100	100	Provision of administrative services

## Notes to the Consolidated Financial Statements

## 18 INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Name of subsidiary	Place of incorporation/ establishment, registration and operations	Issued ordinary/paid- up registered capital	Percentage of equity attributable to the Company		Principal activities
			2014	2013	
			%	%	
Sage Eternity Gem Services Limited	HK, limited liability company	HK\$1	100	–	Selling of eternity gem products
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
畢節敬信陵園管理有限公司 (Bijie Reliance Cemetery Management Company Limited) ("Bijie") (ii) & (vi)	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) & (vi)	PRC, wholly foreign-owned enterprise	RMB1,000,000	100	100	Operation of cemetery and funeral business
Era Investment (Holding) Inc. ("EHI") (v) & (vi)	BVI, limited liability company	US\$50,000	50	50	Investment holding
蘇州名流陵園實業有限公司 (Suzhou Celebrities Cemetery Industry Co. Limited) ("Suzhou Celebrities") (ii), (iii), (v) & (vi)	PRC, wholly foreign-owned enterprise	RMB20,000,000	90	90	Operation of cemetery and funeral business

## Notes to the Consolidated Financial Statements

**18 INVESTMENTS IN SUBSIDIARIES – COMPANY** *(Continued)*

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) EIHI has changed from a joint venture to a non-wholly owned subsidiary of the Group upon an undertaking from Forrex (Holding) Inc. ("Forrex") 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 shall vest to Grand Creation all of the voting rights enjoyed by Forrex in respect of its 50% equity interest 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.
- (vi) These subsidiaries are included in the disposal group classified as held for sale.

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 2014, the total non-controlling interest is HK\$152,468,000 (2013: HK\$152,851,000), of which HK\$131,638,000 is for EIHI and HK\$16,146,000 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\$4,272,000 (2013: 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.

## Notes to the Consolidated Financial Statements

## 18 INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

## Summarised balance sheet

	EIH I		Bijie	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	<b>377,784</b>	369,459	<b>43,241</b>	43,178
Total liabilities	<b>(137,363)</b>	(137,390)	<b>(1,581)</b>	(1,094)
Net assets	<b>240,421</b>	232,069	<b>41,660</b>	42,084

## Summarised statement of comprehensive income

	EIH I		Bijie	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<b>30,482</b>	18,945	–	–
Profit/(loss) for the year	<b>125</b>	(190,091)	<b>(193)</b>	(87)
Total comprehensive loss	<b>(1,435)</b>	(186,829)	<b>(425)</b>	(1,210)
Total comprehensive loss allocated to non-controlling interests	<b>(897)</b>	(117,179)	<b>(170)</b>	(484)

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

## Notes to the Consolidated Financial Statements

## 18 INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

## Summarised cash flows

	EIHI		Bijie	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Net increase/(decrease) in cash and cash equivalents	<b>1,257</b>	2,433	<b>(137)</b>	(1,491)
Cash and cash equivalents at 1 January	<b>3,001</b>	568	<b>151</b>	1,642
Cash and cash equivalents at 31 December	<b>4,258</b>	3,001	<b>14</b>	151

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

## 19 INVENTORIES

	2014 HK\$'000	2013 HK\$'000
Within normal operating cycle included under current assets	<b>201</b>	113,836
Amount comprised:		
Construction cost and cemetery related merchandises	<b>201</b>	6,036
Cemetery assets use rights (2013: net of provision of HK\$63,201,000)	–	107,800
	<b>201</b>	113,836

Amortisation of cemetery assets use rights of HK\$7,563,000 (2013: HK\$13,632,000) has been charged in discontinued operations (Note 23(d)).



## Notes to the Consolidated Financial Statements

## 20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014 HK\$'000	2013 HK\$'000
Prepayments and other receivables	985	27,079
Rental and other deposits	259	274
	<b>1,244</b>	27,353
Less non-current portion:		
Deposits for land use rights	–	(24,403)
Others	(210)	(445)
	<b>(210)</b>	(24,848)
Current portion	<b>1,034</b>	2,505

## 21 DERIVATIVE FINANCIAL INSTRUMENT

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Derivative asset arising from CB 2.2	–	583	58	583

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.

## Notes to the Consolidated Financial Statements

## 22 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash and bank balances	<b>5,591</b>	8,265	<b>2,827</b>	949
Trust accounts restricted under Sage Dignity Trust	<b>306</b>	161	–	–
	<b>5,897</b>	8,426	<b>2,827</b>	949

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

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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
HK Dollar ("HK\$")	<b>4,859</b>	2,549	<b>2,690</b>	796
Renminbi ("RMB")	<b>895</b>	5,611	–	–
US Dollar ("US\$")	<b>143</b>	266	<b>137</b>	153
Cash and bank balances	<b>5,897</b>	8,426	<b>2,827</b>	949

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.

## Notes to the Consolidated Financial Statements

**23 NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS**

During the year ended 31 December 2014, the Group entered into a sale and purchase agreement to dispose of its 100% equity interests in Reliance Death Care Services Inc. and its subsidiaries, which mainly operates cemetery business in Mainland China, to Great World Investors Limited by setting off against two convertible bonds with face values of HK\$30,750,000 (and the interest accrued thereon) and US\$12,500,000 (equivalent to approximately HK\$97,175,000) respectively, and loan from a director of HK\$10,000,000. Management of the Group has finalised and committed a plan for such disposal as at 31 December 2014.

As the operation of the cemetery business group is considered as a separate major line of business, it is accounted for as a discontinued operation. The comparative financial information for the year ended 31 December 2013 has been reclassified to conform with current year presentation in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". The disposal was not yet completed as at 31 December 2014, but is expected to be completed within 12 months from the year end date. The disposal was completed subsequent to year end on 17 February 2015.

**(a) Assets of disposal group classified as held for sale**

	2014 HK\$'000	2013 HK\$'000
Property, plant and equipment	37,820	–
Intangible assets	15,777	–
Cemetery assets use rights	240,190	–
Inventories		–
– Cemetery assets use rights	111,795	–
– Construction cost and cemetery related merchandises	7,278	–
Prepayments, deposits and other receivables	25,958	–
Derivative financial instrument	58	–
Cash and cash equivalents	5,870	–
	<b>444,746</b>	–

**(b) Liabilities of disposal group classified as held for sale**

	2014 HK\$'000	2013 HK\$'000
Trade payables	959	–
Other payables and accruals	19,870	–
Deferred income	1,454	–
Deferred income tax liabilities	77,995	–
Other borrowings	40,062	–
Convertible bonds		–
– classified as share-based payment transactions	96,402	–
– not classified as share-based payment transactions	26,470	–
	<b>263,212</b>	–

## Notes to the Consolidated Financial Statements

**23 NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS (Continued)**

- (c) In accordance with HKFRS 5, the assets and liabilities held for sale were written down to their fair value less costs to sell. This is a non-recurring fair value which is a level 3 fair value measurement based on discounted cash flow approach and asset approach.

On a discounted cash flow basis, fair value less costs to sell has been determined by using post-tax cash flow projections based on financial budgets approved by management for covering a five-year period or longer. The growth rates used do not exceed the industry growth forecast for the business in which the disposal group operates.

Discount rate	16.63% – 17.78%
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.

Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets of disposal group, is as follows:

	2014 HK\$'000	2013 HK\$'000
Revenue	31,445	19,957
Expenses	(64,790)	(304,637)
Loss before tax of discontinued operations	(33,345)	(284,680)
Tax	2,642	59,749
Loss after tax of discontinued operations	(30,703)	(224,931)
Pre-tax loss recognised on the re-measurement of assets of disposal group	(2,681)	–
Tax	670	–
After tax loss recognised on the re-measurement of assets of disposal group	(2,011)	–
<b>Loss for the year from discontinued operations</b>	<b>(32,714)</b>	<b>(224,931)</b>

## Notes to the Consolidated Financial Statements

**23 NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS (Continued)****(d) Analysis of the expenses of discontinued operations is as follows:**

	2014 HK\$'000	2013 HK\$'000
Cost of inventories recognised as expense		
– cemetery assets use rights	<b>7,563</b>	13,632
– cemetery merchandises	<b>1,532</b>	1,109
– impairment loss on cemetery assets use rights	<b>3,102</b>	230,160
Employees benefits expenses	<b>9,913</b>	13,445
Fair value changes on financial instruments	<b>19,875</b>	11,465
Depreciation of property, plant and equipment	<b>2,167</b>	2,061
Gain on disposal of property, plant and equipment	–	(156)
Impairment loss on property, plant and equipment	–	11,193
Minimum lease payments under operating leases in respect of land and buildings	<b>1,531</b>	3,716

**(e) Cash flows**

	2014 HK\$'000	2013 HK\$'000
Operating cash flows	<b>6,916</b>	(12,664)
Investing cash flows	<b>(2,952)</b>	(2,321)
Financing cash flows	<b>(3,865)</b>	12,207
Total cash flows	<b>99</b>	(2,778)

**24 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:

	2014 HK\$'000	2013 HK\$'000
Within 30 days	<b>60</b>	200
31–60 days	<b>8</b>	88
61–90 days	<b>9</b>	147
91 days–1 year	<b>19</b>	487
Over 1 year	<b>210</b>	210
	<b>306</b>	1,132

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

**25 LOAN FROM A NON-CONTROLLING INTEREST**

The loan from a non-controlling interest was unsecured, non-interest bearing and repayable within twelve months. It was fully repaid during the year.

**26 (a) OTHER PAYABLES AND ACCRUALS**

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Other payables and accruals	<b>12,921</b>	18,636	<b>12,512</b>	8,132
Amounts due to shareholders	<b>480</b>	480	<b>480</b>	480
Amount due to a director (i)	<b>487</b>	430	–	–
Receipt in advance	<b>566</b>	5,665	–	–
	<b>14,454</b>	25,211	<b>12,992</b>	8,612

Note:

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

**(b) DEFERRED INCOME**

	2014 HK\$'000	2013 HK\$'000
Deferred Income:		
– Management income (i)	–	862
– Government grant (ii)	<b>1,610</b>	1,779
	<b>1,610</b>	2,641
Less non-current portion	<b>(1,452)</b>	(2,487)
Current portion	<b>158</b>	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

	2014 HK\$'000	2013 HK\$'000
<b>Deferred tax assets:</b>		
Deferred tax asset to be recovered after more than 12 months	–	10,784
Deferred tax asset to be recovered within 12 months	–	173
	–	10,957
<b>Deferred tax liabilities:</b>		
Deferred tax liability to be recovered after more than 12 months	<b>2,550</b>	91,265
Deferred tax liability to be recovered within 12 months	–	3,408
	–	94,673
<b>Deferred tax liabilities, net</b>	<b>2,550</b>	83,716

## Notes to the Consolidated Financial Statements

**27 DEFERRED INCOME TAX (Continued)**

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

	HK\$'000
<b>Year ended 31 December 2013</b>	
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)
<hr/>	
At 31 December 2013	83,716
<hr/>	
<b>Year ended 31 December 2014</b>	
<b>At 1 January 2014</b>	<b>83,716</b>
<b>Credited to profit or loss</b>	<b>(2,642)</b>
<b>Transferred to disposal group classified as held for sale</b>	<b>(78,665)</b>
<b>Exchange realignment</b>	<b>141</b>
<hr/>	
<b>At 31 December 2014</b>	<b>2,550</b>

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:

	Fair value gains HK\$'000
<b>Deferred tax liabilities</b>	
<b>Year ended 31 December 2013</b>	
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
<hr/>	
At 31 December 2013	94,673
<hr/>	
<b>Year ended 31 December 2014</b>	
<b>At 1 January 2014</b>	<b>94,673</b>
<b>Credited to profit or loss</b>	<b>(2,642)</b>
<b>Transferred to disposal group classified as held for sale</b>	<b>(89,481)</b>
<hr/>	
<b>At 31 December 2014</b>	<b>2,550</b>



## Notes to the Consolidated Financial Statements

## 27 DEFERRED INCOME TAX (Continued)

Deferred tax assets	Tax losses HK\$'000
<b>Year ended 31 December 2013</b>	
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
<hr/>	
At 31 December 2013	10,957
<hr/>	
<b>Year ended 31 December 2014</b>	
<b>At 1 January 2014</b>	<b>10,957</b>
Transferred to disposal group classified as held for sale	<b>(10,816)</b>
Exchange realignment	<b>(141)</b>
<hr/>	
<b>At 31 December 2014</b>	<b>–</b>

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\$2,757,000 (2013: HK\$9,865,000) in respect of losses amounting to HK\$16,709,000 (2013: HK\$59,788,000) arising in Hong Kong.

## 28 OTHER BORROWINGS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Loan from local government (i)	–	31,969	–	–
Loan from a director (ii)	<b>10,000</b>	20,000	<b>10,000</b>	20,000
Loan from a non-controlling interest (iii)	–	10,126	–	–
Loan from an independent third party (iv)	<b>32,000</b>	5,000	<b>32,000</b>	5,000
	<b>42,000</b>	67,095	<b>42,000</b>	25,000
Less: non-current portion	<b>(32,000)</b>	(40,252)	<b>(32,000)</b>	–
	<b>10,000</b>	26,843	<b>10,000</b>	25,000
Current portion	<b>10,000</b>	26,843	<b>10,000</b>	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 was 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. The balance was transferred to disposal group classified as held for sale as at 31 December 2014.
- (ii) Loan from a director is unsecured, interest bearing at 19% per annum and repayable on 31 December 2015.
- (iii) Loan from a non-controlling interest was unsecured and non-interest bearing. The balance was transferred to disposal group classified as held for sale as at 31 December 2014.
- (iv) Loan from an independent third party is unsecured, interest bearing at 12% per annum and repayable on 10 March 2016.

The Group's borrowings were repayable as follows:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Within 1 year or on demand	<b>10,000</b>	26,843	<b>10,000</b>	25,000
Between 1 and 2 years	<b>32,000</b>	11,969	<b>32,000</b>	–
Between 2 and 5 years	–	7,986	–	–
Wholly repayable within 5 years	<b>42,000</b>	46,798	<b>42,000</b>	25,000
Repayable over 5 years	–	20,297	–	–
	<b>42,000</b>	67,095	<b>42,000</b>	25,000

## Notes to the Consolidated Financial Statements

**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 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. As at 31 December 2012, the conversion price has been adjusted to HK\$0.039 due to the rights issue on 4 June 2012. During the year ended 31 December 2014, the conversion price was further adjusted to HK\$0.38 due to the share placement and consolidation on 11 July 2014 and 1 September 2014, respectively. 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 amounts 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 2014 and 31 December 2013, 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 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. As at 31 December 2011, the conversion price of CB2.2 was 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. The conversion price has been further adjusted to HK\$0.193 due to the rights issue on 4 June 2012. During the year ended 31 December 2014, the conversion price was further adjusted to HK\$1.88 due to the share placement and consolidation on 11 July 2014 and 1 September 2014, respectively. 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\$97,175,000 ("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 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 was adjusted to HK\$0.197 as a result of the share subdivision. As at 31 December 2012, the conversion price was adjusted to HK\$0.161 due to the rights issue on 4 June 2012. During the year ended 31 December 2014, the conversion price was further adjusted to HK\$1.57 as a result of the share placement and consolidation on 11 July 2014 and 1 September 2014, respectively. CB3 provides an early redemption option for AXA to redeem the bond at par when other convertible bonds are redeemed into cash.

## Notes to the Consolidated Financial Statements

## 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 2013, 31 December 2013 and 31 December 2014	21,789	186,400	208,189
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 as at 31 December 2013	19,097	77,051	96,148
Liability component at 1 January 2014	<b>19,097</b>	<b>77,051</b>	<b>96,148</b>
Fair value changes of convertible bonds	<b>520</b>	<b>19,351</b>	<b>19,871</b>
Liability component as at 31 December 2014 on the Company level	<b>19,617</b>	<b>96,402</b>	<b>116,019</b>
Transferred to disposal group classified as held for sale	–	<b>(96,402)</b>	<b>(96,402)</b>
Liability component as at 31 December 2014 on the Group level	<b>19,617</b>	–	<b>19,617</b>

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 13.31% and 14.12% 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\$580,000. The higher the discount rate, the lower the fair value loss.

## Notes to the Consolidated Financial Statements

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, if appropriate. 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
<b>Date of issue</b>	<b>26.10.2010</b>
<b>Maturity date</b>	<b>31.05.2016(i)</b>
	HK\$'000
Liability component at 1 January 2013	22,062
Interest expense	3,253
Interest accrued	(922)
	<hr/>
Liability component at 31 December 2013	24,393
	<hr/>
Liability component at 1 January 2014	<b>24,393</b>
Interest expense	<b>2,999</b>
Interest accrued	<b>(922)</b>
	<hr/>
Liability component as at 31 December 2014 on the Company level	<b>26,470</b>
Transferred to disposal group classified as held for sale	<b>(26,470)</b>
	<hr/>
Liability component at 31 December 2014 on the Group level	–

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.

## Notes to the Consolidated Financial Statements

## 30 SHARE CAPITAL

	Number of shares		Amount	
	2014 '000	2013 '000	2014 HK\$'000	2013 HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.0025 each at beginning of the reporting period	<b>32,000,000</b>	32,000,000	<b>80,000</b>	80,000
Share consolidation (ii)	<b>(28,800,000)</b>	–	–	–
Ordinary shares of HK\$0.025 each (2013: HK\$0.0025 each) at end of the reporting period	<b>3,200,000</b>	32,000,000	<b>80,000</b>	80,000
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.0025 each at beginning of the reporting period	<b>1,517,838</b>	1,517,838	<b>3,795</b>	3,795
Issue of shares upon placement (i)	<b>258,450</b>	–	<b>646</b>	–
Share consolidation (ii)	<b>(1,598,659)</b>	–	–	–
Ordinary shares of HK\$0.025 each (2013: HK\$0.0025 each) at end of the reporting period	<b>177,629</b>	1,517,838	<b>4,441</b>	3,795

## Notes:

- (i) On 11 July 2014, a total of 258,450,000 shares were placed (the "Placing") to several independent third parties at a price of HK\$0.044 per placing share. The net proceeds from the Placing were approximately HK\$11,256,000.
- (ii) On 1 September 2014, the Group consolidated ten then existing issued shares of HK\$0.0025 and unissued share capital of the Company into one consolidated share of HK\$0.025 in the issued and unissued share capital of the Company.

## Notes to the Consolidated Financial Statements

**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 2014:

Name/Category of participants	Number of share options				Adjusted outstanding and exercisable as at 31 December 2014	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year				
<b>Category 1: Directors</b>								
Mr. Chui	983,265	-	-	-	983,265	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.47
Mr. Kwok Kwan Hung	35,755	-	-	-	35,755	15 February 2008	15 February 2008 – 14 February 2018	HK\$7.38
	111,734	-	-	-	111,734	7 July 2010	7 July 2010 – 6 July 2020	HK\$1.91
	143,020	-	-	-	143,020	12 August 2010	12 August 2010 – 11 August 2020	HK\$5.26
	424,591	-	-	-	424,591	3 December 2010	3 December 2010 – 2 December 2020	HK\$4.77
	1,117,346	-	-	-	1,117,346	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54
	1,517,000	-	-	-	1,517,000	18 January 2013	18 January 2013 – 17 January 2023	HK\$1.18
Mr. Chan Wai Man	22,346	-	-	-	22,346	15 February 2008	15 February 2008 – 14 February 2018	HK\$7.38
	111,734	-	-	-	111,734	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54
Mr. Law Yee Man, Thomas	44,693	-	-	-	44,693	12 August 2011	12 August 2011 – 11 August 2021	HK\$3.92
	67,040	-	-	-	67,040	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54
Mr. Siu Hi Lam, Alick	111,734	-	-	-	111,734	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54
Total	4,690,258	-	-	-	4,690,258			



## 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 and exercisable as at 31 December 2014	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year				
<i>Category 2: Employees/consultants</i>								
Employees	1,273,773	-	-	(89,387)	1,184,386	7 July 2010	7 July 2010 – 6 July 2020	HK\$1.91
Employees	960,917	-	-	-	960,917	9 September 2010	9 September 2010 – 8 September 2020	HK\$5.13
Employees	715,101	-	-	-	715,101	13 September 2010	13 September 2010 – 12 September 2020	HK\$4.79
Employees	581,020	-	-	(357,551)	223,469	3 December 2010	3 December 2010 – 2 December 2020	HK\$4.77
Consultant	357,551	-	-	-	357,551	14 December 2007	14 December 2007 – 13 December 2017	HK\$6.26
Consultant	518,448	-	-	-	518,448	12 August 2010	12 August 2010 – 11 August 2020	HK\$5.26
Consultant	126,483	-	-	-	126,483	6 September 2010	6 September 2010 – 5 September 2020	HK\$4.43
Consultant	983,265	-	-	-	983,265	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.47
Total	5,516,558	-	-	(446,938)	5,069,620			
<b>Total of all categories</b>	<b>10,206,816</b>	<b>-</b>	<b>-</b>	<b>(446,938)</b>	<b>9,759,878</b>			

Notes:

- (i) The share options lapsed during the year ended 31 December 2014 upon the termination of contract.

## 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:

Name/category of participants	Number of share options					Adjusted outstanding and exercisable as at 31 December 2013	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted outstanding as at 31 December 2013				
<b>Category 1: Directors</b>									
Mr. Chui	983,265	-	-	-	983,265	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.47	
Mr. Kwok Kwan Hung	35,755	-	-	-	35,755	15 February 2008	15 February 2008 – 14 February 2018	HK\$7.38	
	111,734	-	-	-	111,734	7 July 2010	7 July 2010 – 6 July 2020	HK\$1.91	
	143,020	-	-	-	143,020	12 August 2010	12 August 2010 – 11 August 2020	HK\$5.26	
	424,591	-	-	-	424,591	3 December 2010	3 December 2010 – 2 December 2020	HK\$4.77	
	1,117,346	-	-	-	1,117,346	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54	
	-	1,517,000	-	-	1,517,000	18 January 2013	18 January 2013 – 17 January 2023	HK\$1.18	
Mr. Chan Wai Man	22,346	-	-	-	22,346	15 February 2008	15 February 2008 – 14 February 2018	HK\$7.38	
	111,734	-	-	-	111,734	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54	
Mr. Law Yee Man, Thomas	44,693	-	-	-	44,693	12 August 2011	12 August 2011 – 11 August 2021	HK\$3.92	
	67,040	-	-	-	67,040	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54	
Mr. Siu Hi Lam, Alick	111,734	-	-	-	111,734	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54	
Total	3,173,258	1,517,000	-	-	4,690,258				

## 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 and exercisable as at 31 December 2013	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year				
<b>Category 2: Employees/consultants</b>								
Employees	1,273,773	-	-	-	1,273,773	7 July 2010	7 July 2010 – 6 July 2020	HK\$1.91
Employees	960,917	-	-	-	960,917	9 September 2010	9 September 2010 – 8 September 2020	HK\$5.13
Employees	715,101	-	-	-	715,101	13 September 2010	13 September 2010 – 12 September 2020	HK\$4.79
Employees	581,020	-	-	-	581,020	3 December 2010	3 December 2010 – 2 December 2020	HK\$4.77
Consultant	357,551	-	-	-	357,551	14 December 2007	14 December 2007 – 13 December 2017	HK\$6.26
Consultant	518,448	-	-	-	518,448	12 August 2010	12 August 2010 – 11 August 2020	HK\$5.26
Consultant	126,483	-	-	-	126,483	6 September 2010	6 September 2010 – 5 September 2020	HK\$4.43
Consultant	983,265	-	-	-	983,265	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.47
Total	5,516,558	-	-	-	5,516,558			
<b>Total of all categories</b>	<b>8,689,816</b>	<b>1,517,000</b>	<b>-</b>	<b>-</b>	<b>10,206,816</b>			
Weighted average exercise price	HK\$4.02	-	-	-	HK\$4.02			

## Notes to the Consolidated Financial Statements

**31 SHARE-BASED PAYMENT TRANSACTIONS** *(Continued)***(b) Share Options Scheme** *(Continued)*

The fair value of the options granted during the years ended 31 December 2014 and 31 December 2013 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 2014 and 2013.

No share option expense was recognised in profit or loss during the year (2013: HK\$763,000).

At the end of reporting period, the Company had 9,759,878 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 9,759,878 additional ordinary shares of the Company and additional share capital of HK\$243,997 and share premium of HK\$34,715,967.

## Notes to the Consolidated Financial Statements

## 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"), an independent third party, 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. During the year ended 31 December 2014, the exercise price was adjusted to HK\$2.85 due to the share placement and consolidation on 11 July 2014 and 1 September 2014 respectively. 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. During the year ended 31 December 2014, the exercise price was adjusted to HK\$1.50 due to the share placement and consolidation on 11 July 2014 and 1 September 2014 respectively. 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 2014:

Name	Number of warrants (i)				Adjusted outstanding and exercisable as at 31 December 2014	Date of grant	Exercise period	Adjusted exercise price per share (i)
	Adjusted outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year				
Mr. Richard Andrew Connell	7,578,947	-	-	(7,578,947)	-	14 July 2011	14 July 2011– 13 July 2016	HK\$2.85
Ms. Ma Pun Sai, Betsy	5,500,000	-	-	(5,500,000)	-	21 January 2012	21 January 2012– 20 January 2017	HK\$1.50

Note:

- (i) Upon the completion of the share placement and consolidation on 11 July 2014 and 1 September 2014 respectively, 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 and an employee during the year ended 31 December 2013:

Name	Number of warrants (i)			Adjusted outstanding and exercisable as at 31 December 2013	Date of grant	Exercise period	Adjusted exercise price per share (i)
	Adjusted outstanding as at 1 January 2013	Granted during the year	Exercised during the year				
Mr. Richard Andrew Connell	6,481,168	-	-	6,481,168	14 July 2011	14 July 2011– 13 July 2016	HK\$3.33
Ms. Ma Pun Sai, Betsy	4,492,800	-	-	4,492,800	21 January 2012	21 January 2012– 20 January 2017	HK\$1.84

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;

## Notes to the Consolidated Financial Statements

**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 ended 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 2014, the Company had no (31 December 2013: 10,973,968) warrant shares outstanding. Furthermore, reversal of warrant shares expense of HK\$2,118,000 was recognised in profit and loss during the year (2013: warrant shares expense of HK\$1,215,000), the corresponding amount has been debited (2013: credited) in the warrant shares reserve.

## Notes to the Consolidated Financial Statements

**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 page 32 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 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
<b>At 1 January 2014</b>	<b>117,577</b>	<b>31,713</b>	<b>222,528</b>	<b>8,495</b>	<b>28,609</b>	<b>(308,208)</b>	<b>100,714</b>
Loss for the year	-	-	-	-	-	(126,640)	(126,640)
Equity-settled warrant shares arrangement	-	-	-	(2,118)	-	-	(2,118)
Lapse of equity-settled warrant shares arrangement	-	-	-	(6,377)	-	6,377	-
Issue of shares upon placement	10,726	-	-	-	-	-	10,726
Share issuance costs	(116)	-	-	-	-	-	(116)
<b>At 31 December 2014</b>	<b>128,187</b>	<b>31,713</b>	<b>222,528</b>	<b>-</b>	<b>28,609</b>	<b>(428,471)</b>	<b>17,434</b>

The loss attributable to equity holders of the Company for the year ended 31 December 2014 is dealt with in the financial statements of the Company to the extent of a loss of HK\$41,488,000 (2013: a loss of HK\$33,184,000).

## Notes to the Consolidated Financial Statements

**33 BUSINESS COMBINATION****Undertaking of 50% shareholding in a joint venture**

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)
<b>Total identifiable net assets</b>	<b>402,971</b>
Non-controlling interests	(251,082)
	<b>151,889</b>
Consideration	
Fair value of equity interest in EIHI held before the business combination	151,889
	<b>HK\$'000</b>
Cash consideration	–
Cash and cash equivalents acquired	568
<b>Net inflow of cash and cash equivalents included in cash flows from investing activities</b>	<b>568</b>

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 has been reclassified to discontinued operations in the consolidated income statement for the year ended 31 December 2013.

## Notes to the Consolidated Financial Statements

## 34 FINANCIAL INSTRUMENTS BY CATEGORY

## (a) The Group

	Loans and receivables HK\$'000	Assets at fair value through the profit and loss HK\$'000	Total HK\$'000
<b>31 December 2014</b>			
<b>Assets as per balance sheet</b>			
Deposits and other receivables	883	–	883
Cash and cash equivalents	5,897	–	5,897
<b>Total</b>	<b>6,780</b>	<b>–</b>	<b>6,780</b>

	Liabilities at fair value through the profit and loss HK\$'000	Other financial liabilities at amortised cost HK\$'000	Total HK\$'000
<b>Liabilities as per balance sheet</b>			
Other borrowings	–	42,000	42,000
Convertible bonds	19,617	–	19,617
Trade and other payables	–	5,046	5,046
<b>Total</b>	<b>19,617</b>	<b>47,046</b>	<b>66,663</b>

## 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 and loss HK\$'000	Total HK\$'000
<b>31 December 2013</b>			
<b>Assets as per balance sheet</b>			
Derivative financial instrument	–	583	583
Deposits and other receivables	2,239	–	2,239
Cash and cash equivalents	8,426	–	8,426
<b>Total</b>	<b>10,665</b>	<b>583</b>	<b>11,248</b>
	Liabilities at fair value through the profit and loss HK\$'000	Other financial liabilities at amortised cost HK\$'000	Total HK\$'000
<b>Liabilities as per balance sheet</b>			
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
<b>Total</b>	<b>96,148</b>	<b>105,572</b>	<b>201,720</b>

## 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 and loss HK\$'000	Total HK\$'000
<b>31 December 2014</b>			
<b>Assets as per balance sheet</b>			
Derivative financial instrument	–	58	58
Cash and cash equivalents	2,827	–	2,827
<b>Total</b>	<b>2,827</b>	<b>58</b>	<b>2,885</b>

	Liabilities at fair value through the profit and loss HK\$'000	Other financial liabilities at amortised cost HK\$'000	Total HK\$'000
<b>Liabilities as per balance sheet</b>			
Other borrowings	–	42,000	42,000
Convertible bonds	116,019	26,470	142,489
Other payables	–	4,498	4,498
<b>Total</b>	<b>116,019</b>	<b>72,968</b>	<b>188,987</b>

## Notes to the Consolidated Financial Statements

## 34 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

## (b) The Company (Continued)

	Loans and receivables HK\$'000	Assets at fair value through the profit and loss HK\$'000	Total HK\$'000
<b>31 December 2013</b>			
<b>Assets as per balance sheet</b>			
Derivative financial instrument	–	583	583
Other receivables	100	–	100
Cash and cash equivalents	949	–	949
<b>Total</b>	<b>1,049</b>	<b>583</b>	<b>1,632</b>
	Liabilities at fair value through the profit and loss HK\$'000	Other financial liabilities at amortised cost HK\$'000	Total HK\$'000
<b>Liabilities as per balance sheet</b>			
Other borrowings	–	25,000	25,000
Convertible bonds	96,148	24,393	120,541
Other payables	–	480	480
<b>Total</b>	<b>96,148</b>	<b>49,873</b>	<b>146,021</b>

## Notes to the Consolidated Financial Statements

**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 (2013: 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:

	2014 HK\$'000	2013 HK\$'000
Within one year	<b>1,260</b>	2,297
In the second to fifth years inclusive	<b>685</b>	1,576
	<b>1,945</b>	3,873

Commitment of HK\$1,125,000 (2013: HK\$450,000) is related to operating commitment with a company owned by a director.

At the end of the reporting period, the Group had no commitments (2013: nil) for future minimum lease payments under non-cancellable operating leases.

**36 CAPITAL COMMITMENTS**

As at 31 December 2014 and 31 December 2013, the Group and the Company did not have any capital commitments.

## Notes to the Consolidated Financial Statements

**37 SIGNIFICANT RELATED PARTY TRANSACTIONS**

Save as disclosed in notes 25, 26 and 28 in the consolidated financial statements, the Group had entered into the following significant related party transactions during the year:

	2014 HK\$'000	2013 HK\$'000
Rent paid to a company owned by a director	900	975
Interest paid to a company owned by a director	300	300
Interest paid to a director	2,569	3,151
Interest paid to a non-controlling interest	923	923
Management fee paid to a non-controlling interest	900	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:

	2014 HK\$'000	2013 HK\$'000
Short-term benefits	2,938	6,398
Share-based payments	–	763
	<b>2,938</b>	<b>7,161</b>

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

**(b) Other related party balances and transactions**

Save as disclosed, details of balances and transactions with other related parties at the end of the reporting year are set out in notes 25, 26 and 28 to the consolidated financial statements.

**38 EVENTS AFTER THE REPORTING PERIOD**

On 17 February 2015, the Group completed the sale of the Disposal Group to the Company's chairman by setting off against two convertible bonds with face values of HK\$30,750,000 (and the interest accrued thereon) and US\$12,500,000 (equivalent to approximately HK\$97,175,000) respectively, and loan due to him of HK\$10,000,000. On the same date, the Group also completed the fund raising of net proceeds of approximately HK\$69,180,000 and HK\$13,620,000 through open offer and placement of shares respectively.



## 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:

	<b>31 December 2014 HK\$'000</b>	31 December 2013 HK\$'000	31 December 2012 HK\$'000	31 December 2011 HK\$'000	31 March 2011 HK\$'000
<b>Revenue</b>	<b>43,080</b>	39,427	9,732	7,423	66,099
<b>Loss attributable to owners of the Company</b>	<b>(60,436)</b>	(130,332)	(45,327)	(182,474)	(62,090)
<b>Total assets</b>	<b>477,770</b>	490,873	285,507	265,805	345,399
<b>Total liabilities</b>	<b>(343,749)</b>	(302,871)	(126,630)	(115,700)	(173,639)
<b>Net assets</b>	<b>134,021</b>	188,002	158,877	150,105	171,760

Notes:

- (i) The results and assets and liabilities of the Group for the year ended 31 December 2014 have been extracted from the consolidated income statement and consolidated statement of financial position as set out on pages 26 to 27 and 29 to 30 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.