



Sage International Group Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
Stock Code: 8082



Annual
Report
2025

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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

2015

JULY

Retiree & Senior Fair



SEPTEMBER

The Golden 60's A GO GO DANCE PARTY



Corporate Information

EXECUTIVE DIRECTORS

Mr. Chui Bing Sun (Chairman)
Mr. Dong Choi Chi, Alex
Mr. Yao Kan Shan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick
Mr. Ting Kit Lun

COMPANY SECRETARY

Mr. Jip Ki Chi

COMPLIANCE OFFICER

Mr. Chui Bing Sun

AUDIT COMMITTEE

Mr. Chan Wai Man (Chairman)
Mr. Siu Hi Lam, Alick
Mr. Ting Kit Lun

NOMINATION COMMITTEE

Mr. Yao Kan Shan (Chairman)
Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick
Mr. Ting Kit Lun

REMUNERATION COMMITTEE

Mr. Siu Hi Lam, Alick (Chairman)
Mr. Chan Wai Man
Mr. Ting Kit Lun

AUTHORISED REPRESENTATIVES

Mr. Chui Bing Sun
Mr. Jip Ki Chi

AUDITOR

PricewaterhouseCoopers

SOLICITOR

Michael Li & Co.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 1216-18, 12/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

8082

CONTACT INFORMATION

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www.sagefuneral.com

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 2015.

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 heavy borrowing and improve the operating efficiency of the Group. The Directors considered that it would be in the interest of the Company to effect the VSD as they believed that the disposal would have a positive impact on the financial well-being of the Group. The VSD was completed on 17 February 2015 and raised approximately HK\$83 million funding as equity capital for future development in the deathcare and related businesses or other business opportunities.

Chairman's Statement

For this year, the revenue and operating scale of Hong Kong segment increased continuously during the year. 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. The Group will also continue to develop overseas network and to expand the deathcare services internationally.

On the business side, during the financial year ended 31 December 2015, the Group's business operation remained on the provision of deathcare services, promoting and expanding its Eternity Gem ("EGEM") businesses, as well as providing cemetery management consultancy services to certain cemeteries in the Disposed Cemetery Assets. 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.

With the implementation of all the above measures, the fund raised and the expertise of the board, I believe the Group is now in a position of strong sustainability for future development and growth, either in the deathcare and related businesses or other business opportunities.

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 2015, the total revenue of continuing operations (which mainly consists of the funeral services and crematorium) was approximately HK\$14,608,000 which was 25.55% higher than the corresponding period of last year of approximately HK\$11,635,000. The increase was mainly due to the increase in Eternity Gem (“EGEM”) sales and management fee income received from Checkmate Capital Limited (a company wholly-owned by Mr. Chui Bing Sun) after completion of very substantial disposal (the “VSD”) at the beginning of year 2015 (please refer to the circular dated 31 December 2014 for detail of the VSD).

Gross profits increased from approximately HK\$6,864,000 to approximately HK\$8,347,000. The overall gross profit margin of the continuing operations for the year ended 31 December 2015 was approximately 57.14% and decrease slightly as compared with the corresponding period of last year of approximately 58.99%.

Other Income

Other income increased from approximately HK\$947,000 to approximately HK\$1,124,000.

Sales and marketing expenses – Continuing operations

Sales and marketing expenses of continuing operations for the year ended 31 December 2015 was approximately HK\$4,001,000, being 27.39% of turnover and was decreased as compared with the corresponding period of last year of approximately HK\$3,848,000, being 33.07% of turnover.

Administrative expenses – Continuing operations

Administration expenses of the continuing operations for the year ended 31 December 2015 amounted to approximately HK\$28,558,000 which included HK\$9,860,000 in respect of the impairment of other receivable. If the impairment is excluded, the administrative expenses are approximately HK\$18,698,000 which was lower than the corresponding period of last year of approximately HK\$24,624,000. The difference was mainly due to significant reduction in the amount of legal and professional fees incurred for the VSD transaction which was completed in February 2015.

Finance costs – Continuing operations

Finance costs of the continuing operations for year ended 31 December 2015 amounted to approximately HK\$796,000, which was 87.20% less than the corresponding period of last year of approximately HK\$6,220,000. The decrease in the finance costs was a result of the pay off of all interest bearing debts by funding raised from the open offer and the placing.

Loss for the year from continuing operations

Loss for the year ended 31 December 2015 from continuing operations amounted to approximately HK\$24,357,000 (31 December 2014: loss of approximately HK\$27,570,000).

Profit/(loss) for the year from discontinued operations

The revenue from discontinued operations (which mainly consists of cemetery business) amounted to approximately HK\$5,396,000 for the year ended 31 December 2015 which was 82.84% lower than the corresponding period of last year of approximately HK\$31,445,000. The decrease was mainly due to the disposal of the cemetery business on 17 February 2015 such that a comparatively smaller portion of sales generated in year 2015 was counted. Expenses amounted to approximately HK\$6,443,000 for the year ended 31 December 2015. Profit for the current year from discontinued operation was approximately HK\$4,155,000 (31 December 2014: loss of approximately HK\$32,714,000), which was mainly attributable to the gain of approximately HK\$11,725,000 upon the disposal of the cemetery business which was partially offset by the income tax payable from the disposal of PRC subsidiaries during the year.

Loss for the year

The Group’s loss for the year was approximately HK\$20,202,000 (31 December 2014: loss of approximately HK\$60,284,000). The main reasons for such reduction in loss were mainly due to the gain on disposal of the cemetery business from discontinued operations, as well as less operating cost and finance cost as compared to the corresponding period of last year after the disposal of the discontinued operations in early 2015.



Management Discussion and Analysis

OPERATION REVIEW

For various factors mentioned in the circular of the Company dated 31 December 2014 which caused difficulties in achieving the development plan of the Group, the Company proposed the 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 segment results of the Group's cemetery business (before disposal on 17 February 2015) during the period are classified as a discontinued operation. During the year ended 31 December 2015, the Group's business operation was mainly focusing on the provision of deathcare related services. 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.

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 31 December 2014, entered into the placing agreement and the underwriting agreement and subsequently, 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 2015, the Group's Hong Kong funeral services recorded a revenue of approximately HK\$6,094,000 which was 77.00% higher than that of the corresponding period of approximately HK\$3,443,000 in 2014. During the year, revenues were mainly generated from sales of funeral packages, provision of management service income and sales of the newly developed product, EGEM, the transformation of cremated ash into durable memorial gem stone. EGEM gained popularity during the year and sales of EGEM increased to approximately HK\$1,256,000 (31 December 2014: HK\$564,000) during the period 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.

OPERATION REVIEW – CHINA

Funeral services and crematorium

Huaiji funeral parlour

Cremation business operation in Huaiji was performing steadily during the year ended 31 December 2015 and revenue during the year was approximately HK\$8,514,000, almost in line with last year corresponding period of approximately HK\$8,192,000. In order to maintain a high quality of service, the Group had improved the repair and maintenance works during the year.

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 of 2015. 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 has sufficient working capital and funding for further development in deathcare related business. With the available surplus cash, the Group has been seeking other suitable investment opportunities in other business sectors, for instance, the media and entertainment industry to bring in more attractive shareholder's value.



Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group has cash, cash equivalents and restricted cash of approximately HK\$34,973,000 (as at 31 December 2014: HK\$11,767,000) and the total assets of the Group were HK\$60,408,000 (as at 31 December 2014: HK\$477,770,000). The net current assets of the Group were approximately HK\$26,445,000 (as at 31 December 2014: HK\$144,131,000) and the Group's current ratio, which represents the current assets over its current liabilities, was approximately 3.36 times (as at 31 December 2014: 1.47 times). The gearing ratio of the Group as at 31 December 2015 (calculated by the total liabilities of HK\$15,460,000 over equity attributable to the owners of the Company of HK\$40,166,000) is 38.49% (2014: -1,863.44%).

The financial position of the Group improves during the year ended 31 December 2015 due to completion of disposal of cemetery business and the placing and open offer which were completed on 17 February 2015.

INVESTMENT POSITION AND PLANNING

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

INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

On 2 April 2014, the Company 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 operate 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

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group currently does not have a foreign currency policy to hedge its currency exposure arising from the net assets of the Group's foreign operations. Otherwise, the Group had no material exposure to foreign exchange risk as majority of the Group's assets were denominated in its functional currency of either Hong Kong Dollars or Renminbi.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group had 61 employees and including Directors (31 December 2014: 130). Total staff costs for the year ended 31 December 2015, including Directors' remuneration, amounted to approximately HK\$10,133,000 (31 December 2014: approximately HK\$18,798,000). 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 the Share Options Scheme are set out in note 29(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 2015.

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”, the Company has met all the code provisions in the CG Code during the year ended 31 December 2015.

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 all 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 three 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 2015, 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. Ting Kit Lun, 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 four members, namely Mr. Yao Kan Shan (Chairman of NC), Mr. Chan Wai Man, Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun, all of them are either executive Director or 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. Siu Hi Lam, Alick and Mr. Ting Kit Lun, 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 2015 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 2015 are set out in the following table:

| Name of Directors | Attendance/Number of meetings | | | | |
|--|-------------------------------|-------------|------------|-------------|------------------|
| | Board Meetings | RC Meetings | NC Meeting | AC Meetings | General Meetings |
| Executive Directors | | | | | |
| Mr. Chui Bing Sun (Chairman) | 9/10 | N/A | N/A | N/A | 0/1 |
| Mr. Dong Choi Chi, Alex | 2/6 | N/A | N/A | N/A | 0/1 |
| Mr. Yao Kan Shan | 6/6 | N/A | N/A | N/A | 1/1 |
| Independent non-executive Directors | | | | | |
| Mr. Chan Wai Man | 10/11 | 1/1 | 1/1 | 4/4 | 1/1 |
| Mr. Siu Hi Lam, Alick | 11/11 | 1/1 | 1/1 | 4/4 | 1/1 |
| Mr. Ting Kit Lun | 1/1 | N/A | N/A | 1/1 | N/A |

AUDITOR'S REMUNERATION

The consolidated financial statements of the Company for the year ended 31 December 2015 have been audited by PricewaterhouseCoopers. During the year, remuneration of approximately HK\$1,000,000 (31 December 2014: HK\$1,450,000) and HK\$250,000 (31 December 2014: HK\$1,250,000) 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 2015 is set out below:

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

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 2015 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 2015, 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 26 to 27 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 2015.

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 2015 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 39, 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. Dong Choi Chi, Alex (“Mr. Dong”), aged 35, joined the Group on 4 May 2015 and graduated from Griffith University in Australia with a Bachelor of Information Technology in 2004. He obtained his Master of Business Administration in Chinese Business Studies at St Clements University in 2011. Mr. Dong also obtained a Master of Business Administration at the Business University of Costa Rica in 2012. Mr. Dong has extensive experience in business development and marketing. He joined Asian Logic Limited in 2004 after his graduation from Griffith University and became the Business Development Director in 2005 until he left the company in 2009. After that, Mr. Dong founded Nextra Marketing and Business Consulting Limited (“Nextra Marketing”) in Macau in 2009 specializing in event management and provision of tailor-made services to clients as well as assisting them in the formulation of strategic plans. In 2011, Mr. Dong also founded Nextra (HK) Limited (“Nextra HK”) which targets at providing creative marketing solutions to the Hong Kong market. Mr. Dong is currently the Chief Executive Officer of Nextra Marketing and Nextra HK. Meanwhile, Mr. Dong founded Sun Entertainment Culture Limited in 2011 which produces and distributes films and organizes live concert.

Mr. Yao Kan Shan (“Mr. Yao”), aged 37, joined the Group on 4 May 2015 and holds a Bachelor of Science in Applied Mathematics and Statistics from the State University of New York at Stony Brook, USA. After his graduation from the university in 2001, Mr. Yao started to gain experience in marketing and business development from working in companies of different sectors in Hong Kong. Since 2008, Mr. Yao spent much of his time involving in family business on an energy related project and subsequently on a lighting project in Indonesia. It was during this period that Mr. Yao further enriched and applied his experience in strategic planning, project management, branding development, product design and marketing. Mr. Yao joined Nextra HK in 2013 as Project Manager involving in various cross border projects on a diversified range of businesses.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Man (“Mr. Chan”), aged 50, 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 was an independent non-executive director of Bestway International Holdings Limited (stock code: 718) and Well Way Group Limited (stock code: 8063).

Mr. Siu Hi Lam, Alick (“Mr. Siu”), aged 61, joined the Group on 2 February 2010, is the managing director of Fortune Take International Limited, a company engaging in providing financial consultancy services. Mr. Siu has worked in the finance and banking field for more than 25 years. Mr. Siu was the senior vice president of AIG Finance (Hong Kong) Limited and the vice president of Bank of America and responsible for business development and credit risk management. Mr. Siu 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.

Mr. Ting Kit Lun (“Mr. Ting”), aged 50, joined the Group on 12 October 2015, has been a senior executive with substantial experience in Fortune 500 and local corporations. Mr. Ting had served as APAC head of compliance and regional controller for 15 years in two sizeable US retailers. Mr. Ting has also served a multi-national manufacturing enterprise as Chief Operating Officer. Mr. Ting is currently a consultant providing business strategies advisory at the board level and risks management services in business operations to his clients, which include some prominent financial groups in Hong Kong and private equity firms in China. Mr. Ting is a Fellow of the Association of Chartered Certified Accountants. Mr. Ting obtained his Master of Business Administration degree from the University of Leicester, and his Master of Laws degree from the University of Hong Kong.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Jip Ki Chi (“Mr. Jip”), aged 46, 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).

Mr. Kwok Kwan Hung (“Mr. Kwok”), aged 50, joined the Group on 23 November 2007, is the Director of subsidiary for overseeing the operation function of the funeral business. Mr. Kwok has 25 years of experiences in financial industry and has held various senior positions in listed companies, investment banking groups and an international accounting firm. Mr. Kwok is a practicing certified public accountant, who is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Directors. Mr. Kwok holds a Bachelor’s degree in Science from the University of London.

Ms. Ma Pun Sai, Betsy (“Ms. Ma”), aged 50, 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.



Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2015.

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 2015 are set out in note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement on pages 28 to 29. The Directors do not recommend the payment of a dividend for the year ended 31 December 2015 (31 December 2014: 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 116 of the annual report.

BUSINESS REVIEW

Funeral services and Eternity Gem

During the year ended 31 December 2015, the Group's Hong Kong funeral services recorded a revenue of approximately HK\$6,094,000 and was 77.00% higher than that of the corresponding period of approximately HK\$3,443,000 in 2014. During the year, revenues were mainly generated from sales of funeral packages, provision of management service income and sales of the newly developed product, EGEM, the transformation of cremated ash into durable memorial gem stone. EGEM gained popularity during the year and sales of EGEM increased to approximately HK\$1,256,000 (31 December 2014: HK\$564,000) during the period 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.

Funeral services and crematorium

Huaiji funeral parlour

Cremation business operation in Huaiji was performing steadily in the year ended 31 December 2015 and revenue during the period was approximately HK\$8,514,000, almost in line with last year corresponding period of approximately HK\$8,192,000. In order to maintain a high quality of service, the Group had improved the repair and maintenance works during the year.

Looking Ahead

After the completion of the very substantial disposal (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 especially the EGEM, which the Group will be more focusing on in year 2016. With the available surplus cash, the leveraging of the expertise and business connection of the Board, the Group has been seeking other suitable investment opportunities in other business sectors, for instance, the media and entertainment industry to bring in more attractive shareholder's value.

ESG Policies and Performance

The Group is committed to high standard of corporate governance to its daily operation and management. During the year, there was no incidence of non-compliance of regulatory environmental laws that have a significant impact on the group businesses. The management has been developing and modifying its existing environmental policies and adopting measures to reduce wastes, energy and increase recycling such that a higher standard of environmental friendly culture was established within the organization.

Employees are remunerated by offering competitive packages, discretionary bonuses and share options based on individual performance. The Group continues to improve its training courses and personal promotion system with the combination of key performance indicator evaluation system. The management also encourages its employees to pursue a balanced life and provide a good working environment for them to maximize their potential and capabilities to the Group.

Information about the Company corporate governance practices and performance in 2015 is set out in the Corporate Governance Report of the 2015 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 2015 is set out in note 15 to the consolidated financial statements.

Directors' Report

SHARE ISSUED IN THE YEAR

Details of the Company's shares issued during the year ended 31 December 2015 are set out in note 28 to the consolidated financial statements.

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

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 2015.

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2015 are set out in note 30 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. Dong Choi Chi, Alex (appointed on 4 May 2015)
 Mr. Yao Kan Shan (appointed on 4 May 2015)
 Mr. Kwok Kwan Hung (retired on 15 June 2015)

Independent Non-Executive Directors

Mr. Chan Wai Man
 Mr. Siu Hi Lam, Alick
 Mr. Ting Kit Lun (appointed on 12 October 2015)
 Mr. Law Yee Man, Thomas (resigned on 12 October 2015)

In accordance with Clause 84 of the Bye-laws of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and shall be eligible for re-election. Accordingly, Mr. Chui Bing Sun, Mr. Chan Wai Man and Mr. Ting Kit Lun will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Mr. Kwok Kwan Hung ("Mr. Kwok") retired as executive Director of the company at the annual general meeting on 15 June 2015. Mr. Law Yee Man, Thomas ("Mr. Law") resigned as independent non-executive Director of the company on 12 October 2015. Mr. Kwok and Mr. Law have confirmed that they have no disagreement with the Board and nothing relating to the affairs of the company needed to be brought to the attention of the shareholders of the company.

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 DEBENTURES

At 31 December 2015, the interests of the Directors and the chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations,

as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the model code for Securities Transactions by Directors of Listed Issuers, were as follows:

Interests in shares and underlying shares of the Company

Number of ordinary shares and underlying shares beneficially held

(A) Long positions

| Name 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 | 149,472,498 | – | 149,472,498 | 21.65% |
| | Personal | 2 | 1,800 | 1,052,820 | 1,054,620 | 0.15% |
| | | | 149,474,298 | 1,052,820 | 150,527,118 | 21.80% |
| Mr. Dong Choi Chi, Alex ("Mr. Dong") | Interest of a controlled corporation | 3 | 120,300,000 | – | 120,300,000 | 17.42% |
| Mr. Chan Wai Man | Personal | 4 | 27,000 | 143,565 | 170,565 | 0.02% |
| Mr. Siu Hi Lam, Alick | Personal | 4 | – | 119,638 | 119,638 | 0.02% |

Notes:

- These shares are held by New Brilliant Investments Limited ("New Brilliant"), a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui, an executive Director of the Company.
- Mr. Chui had a personal interest in 1,800 shares and 1,052,820 underlying shares of the Company. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 1,052,820 shares at adjusted exercise price of HK\$4.175 per share.
- These shares are held by Heading Champion Limited a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Dong, an executive Director of the Company.
- 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) 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 2015 were as follows:

| Name/Category of participants | Number of share options | | | | | Date of grant | Exercise period | Adjusted exercise price per share |
|--|---|-------------------------|---------------------------|------------------------|---|------------------|-------------------------------------|-----------------------------------|
| | Adjusted outstanding as at 1 January 2015 | Granted during the year | Exercised during the year | Lapsed during the year | Adjusted outstanding and exercisable as at 31 December 2015 | | | |
| <i>Category 1: Directors</i> | | | | | | | | |
| Mr. Chui | 1,052,820 | - | - | - | 1,052,820 | 22 March 2011 | 22 March 2011 – 21 March 2021 | HK\$4.175 |
| Mr. Chan Wai Man | 23,927 | - | - | - | 23,927 | 15 February 2008 | 15 February 2008 – 14 February 2018 | HK\$6.892 |
| | 119,638 | - | - | - | 119,638 | 5 December 2011 | 5 December 2011 – 4 December 2021 | HK\$2.372 |
| Mr. Siu Hi Lam, Alick | 119,638 | - | - | - | 119,638 | 5 December 2011 | 5 December 2011 – 4 December 2021 | HK\$2.372 |
| Mr. Law Yee Man, Thomas (resigned on 12 October 2015) | 47,854 | - | - | (47,854) | - | 12 August 2011 | 12 August 2011 – 11 August 2021 | HK\$3.661 |
| | 71,782 | - | - | (71,782) | - | 5 December 2011 | 5 December 2011 – 4 December 2021 | HK\$2.372 |
| Total | 1,435,659 | - | - | (119,636) | 1,316,023 | | | |

Directors' Report

| Name/Category of participants | Number of share options | | | | Adjusted outstanding and exercisable as at 31 December 2015 | Date of grant | Exercise period | Adjusted exercise price per share |
|--|---|-------------------------|---------------------------|------------------------|---|-------------------|---------------------------------------|-----------------------------------|
| | Adjusted outstanding as at 1 January 2015 | Granted during the year | Exercised during the year | Lapsed during the year | | | | |
| <i>Category 2: Employees/consultants</i> | | | | | | | | |
| Employee | 38,284 | - | - | - | 38,284 | 15 February 2008 | 15 February 2008 – 14 February 2018 | HK\$6.892 |
| Employees | 1,387,806 | - | - | (406,772) | 981,034 | 7 July 2010 | 7 July 2010 – 6 July 2020 | HK\$1.784 |
| Employee | 153,137 | - | - | - | 153,137 | 12 August 2010 | 12 August 2010 – 11 August 2020 | HK\$4.912 |
| Employees | 1,028,891 | - | - | (598,193) | 430,698 | 9 September 2010 | 9 September 2010 – 8 September 2020 | HK\$4.791 |
| Employees | 765,686 | - | - | - | 765,686 | 13 September 2010 | 13 September 2010 – 12 September 2020 | HK\$4.474 |
| Employees | 693,903 | - | - | - | 693,903 | 3 December 2010 | 3 December 2010 – 2 December 2020 | HK\$4.455 |
| Employee | 1,196,386 | - | - | - | 1,196,386 | 5 December 2011 | 5 December 2011 – 4 December 2021 | HK\$2.372 |
| Employee | 1,624,311 | - | - | - | 1,624,311 | 18 January 2013 | 18 January 2013 – 17 January 2023 | HK\$1.102 |
| Consultant | 382,843 | - | - | - | 382,843 | 14 December 2007 | 14 December 2007 – 13 December 2017 | HK\$5.846 |
| Consultant | 555,122 | - | - | - | 555,122 | 12 August 2010 | 12 August 2010 – 11 August 2020 | HK\$4.912 |
| Consultant | 135,430 | - | - | - | 135,430 | 6 September 2010 | 6 September 2010 – 5 September 2020 | HK\$4.137 |
| Consultant | 1,052,820 | - | - | - | 1,052,820 | 22 March 2011 | 22 March 2011 – 21 March 2021 | HK\$4.175 |
| Total | 9,014,619 | - | - | (1,004,965) | 8,009,654 | | | |
| Total of all categories | 10,450,278 | - | - | (1,124,601) | 9,325,677 | | | |

Note:

- (i) The share options were lapsed during the year ended 31 December 2015 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 2015, 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 | 149,472,498 | – | 149,472,498 | Long | 21.65% |
| Mr. Chui | Interest of controlled corporations | 1 | 149,472,498 | – | 149,472,498 | Long | 21.65% |
| | Personal | 2 | 1,800 | 1,052,820 | 1,054,620 | Long | 0.15% |
| | | | 149,474,298 | 1,052,820 | 150,527,118 | | 21.80% |
| Heading Champion Limited | Beneficial owner | 3 | 120,300,000 | – | 120,300,000 | Long | 17.42% |
| Mr. Dong | Interest of controlled corporations | 3 | 120,300,000 | – | 120,300,000 | Long | 17.42% |
| Mr. Chan Ping Che | Beneficial owner | | 97,390,000 | – | 97,390,000 | Long | 14.10% |

Notes:

1. These shares are held by New Brilliant, a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui.
2. Mr. Chui had a personal interest in 1,800 shares and 1,052,820 underlying shares. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 1,052,820 shares at adjusted exercise price of HK\$4.175 per share.
3. These shares are held by Heading Champion Limited, a company incorporated in the British Virgin Islands. It is wholly owned by Mr. Dong, who has been appointed as an executive Director of the Company with effect from 4 May 2015.

Save as disclosed above, as at 31 December 2015, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, 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 disclosed above, at no time during the year ended 31 December 2015 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

On 16 January 2015, a management agreement was entered into between Sage Dignity Services Limited, a wholly-owned subsidiary of the Company, and Checkmate Capital Limited, a company wholly and beneficially owned by Mr. Chui Bing Sun ("Mr. Chui"), an Executive Director and Chairman of the Board, whereby Sage Dignity Services Limited or its designated subsidiaries would provide strategic management and marketing strategy advisory services to the Reliance Group. For details of the management agreement, please refer to the next section headed "continuing connected transactions".

During the year ended 31 December 2015, Solar Finance Limited, one of the Company's wholly owned subsidiaries, was disposed of at a consideration of HK\$100,000 to Computech Online Limited, a company wholly owned by Mr. Chui. The share transfer was completed on 31 March 2015. On the date of disposal, the net asset value of Solar Finance Limited was HK\$94,000 which approximated its fair value.

Save as disclosed above, 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 2015 or at any time during the year.

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions during the year:

On 16 January 2015, a management agreement (the "Management Agreement") was entered into between Sage Dignity Services Limited ("Sage Dignity"), a wholly-owned subsidiary of the Company, and Checkmate Capital Limited ("Checkmate"), a company wholly and beneficially owned by Mr. Chui, whereby Sage Dignity or its designated subsidiaries would provide strategic management and marketing strategy advisory services to the Reliance Group. The services include (i) strategy in expansion in other geographic locations and distribution network of the Reliance Group in PRC and overseas including Hong Kong; (ii) strategy in development of sales and marketing promotion plan, branding and customer loyalty program; and (iii) strategy in integration of the three cemeteries of the Reliance Group under a unified brand with the help of modernized management system.

The Management Agreement has an initial term of a period commencing from 17 February 2015 until 30 September 2017. During the year ended 31 December 2015, the contract amounts for the strategic management and marketing strategy advisory services under the Management Agreement are summarized as follows:

Management service fee from Checkmate:

| Category | Contract Sum HK\$'000 | Annual cap HK\$'000 |
|------------------------|--------------------------|------------------------|
| Management service fee | 1,047 | 1,200 |

Details of the Management Agreement, transactions and annual caps for each of the three financial years ending 31 December 2017 are set out in the circular of the Company dated 31 December 2014.

The independent non-executive directors have reviewed the above continuing connected transactions and confirmed that the continuing connected transactions were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) in accordance with the relevant contract on terms that are fair and reasonable and in the interests of shareholders as a whole.

Directors' Report

The Board has received a letter from the auditors of the Company confirming that nothing has come to their attention that the above continuing connected transactions:

- (i) have not received the approval of the Board;
- (ii) are not, in all material respects, in accordance with the pricing policies of the Group;
- (iii) have not been entered into, in all material respects, in accordance with the relevant contracts governing such transactions; and
- (iv) have exceeded their respective approved annual caps for the year.

The Company has complied with the applicable requirements under Chapter 20 of the GEM Listing Rules in respect of continuing connected transactions engaged in by the Group.

The related party transactions are set out in note 34 to the financial statements. Apart from the continuing connected transactions disclosed above, the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 20 of the GEM Listing Rules that are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in note 2.20 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 2015.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2015, the Directors are not aware of any business or interest of each of the Directors, management shareholders (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with business of the Group or any other conflicts of interest which any such person has or may have with the Group.

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 29(b) to the consolidated financial statements.

COMMITMENTS

Details of operating leases commitment and capital commitment are set out in notes 32 and 33, 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.



Directors' Report**DONATIONS**

During the year ended 31 December 2015, the Group made charitable and other donations amounting to approximately HK\$15,000 (31 December 2014: HK\$20,000).

AUDITOR

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

One of the subsidiaries of the Group entered into an agreement with an independent third party to co-invest in an event where the Group is committed to invest in an amount of HK\$3,874,000.

On behalf of the Board

Chui Bing Sun

Chairman

23 March 2016

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 set out on pages 28 to 115, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 March 2016

Consolidated Income Statement

For the year ended 31 December 2015

| | Note | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------|------------------|------------------|
| Continuing operations | | | |
| Revenue | 5 | 14,608 | 11,635 |
| Cost of sales | 7 | (6,261) | (4,771) |
| Gross profit | | | |
| | | 8,347 | 6,864 |
| Other income | 6(a) | 1,124 | 947 |
| Other losses, net | 6(b) | (377) | (520) |
| Sales and marketing expenses | 7 | (4,001) | (3,848) |
| Administrative expenses | 7 | (28,558) | (24,624) |
| Operating loss | | | |
| | | (23,465) | (21,181) |
| Finance income | 11 | 4 | 3 |
| Finance costs | 11 | (796) | (6,220) |
| Loss before taxation | | | |
| | 7 | (24,257) | (27,398) |
| Income tax expense | 12 | (100) | (172) |
| Loss for the year from continuing operations | | | |
| | | (24,357) | (27,570) |
| Discontinued operations | | | |
| Profit/(loss) for the year from discontinued operations | 22 | 4,155 | (32,714) |
| Loss for the year | | | |
| | | (20,202) | (60,284) |
| (Loss)/profit attributable to: | | | |
| Owners of the Company | | (21,336) | (60,436) |
| Non-controlling interests | | 1,134 | 152 |
| | | (20,202) | (60,284) |
| (Loss)/profit attributable to owners of the Company arises from: | | | |
| Continuing operations | | (24,473) | (27,737) |
| Discontinued operations | | 3,137 | (32,699) |
| | | (21,336) | (60,436) |

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

Consolidated Income Statement*For the year ended 31 December 2015*

| | Note | 2015 | 2014 |
|---|------|---------------|--------|
| (Loss)/earnings per share from continuing and discontinued operations attributable to owners of the Company for the year (expressed in HK\$ per share) | 14 | | |
| Basic (loss)/earnings per share | | | |
| From continuing operations | | (0.04) | (0.16) |
| From discontinued operations | | 0.01 | (0.18) |
| From loss for the year | | (0.03) | (0.34) |
| Diluted (loss)/earnings per share | | | |
| From continuing operations | | (0.04) | (0.16) |
| From discontinued operations | | 0.01 | (0.18) |
| From loss for the year | | (0.03) | (0.34) |

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Loss for the year | (20,202) | (60,284) |
| Other comprehensive loss: | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations | (2,020) | (2,835) |
| Release of exchange reserve upon disposal of subsidiaries | (21,506) | – |
| Total comprehensive loss for the year | (43,728) | (63,119) |
| Total comprehensive (loss)/profit for the year attributable to: | | |
| Owners of the Company | (44,144) | (62,736) |
| Non-controlling interests | 416 | (383) |
| | (43,728) | (63,119) |
| Total comprehensive loss attributable to owners of the Company arises from: | | |
| Continuing operations | (23,791) | (27,791) |
| Discontinued operations | (20,353) | (34,945) |
| | (44,144) | (62,736) |

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

Consolidated Statement of Financial Position

At 31 December 2015

| | Note | 2015 HK\$'000 | 2014 HK\$'000 |
|---|-------|------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 15 | 10,310 | 12,440 |
| Intangible assets | 16 | 12,307 | 13,242 |
| Deposits | 20 | 145 | 210 |
| | | 22,762 | 25,892 |
| Current assets | | | |
| Inventories | 19 | 184 | 201 |
| Prepayments, deposits and other receivables | 20 | 2,489 | 1,034 |
| Restricted cash | 21 | 316 | 306 |
| Cash and cash equivalents | 21 | 34,657 | 5,591 |
| | | 37,646 | 7,132 |
| Assets of disposal group classified as held-for-sale | 22 | – | 444,746 |
| | | 37,646 | 451,878 |
| Total assets | | 60,408 | 477,770 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade payables | 23 | 133 | 306 |
| Other payables and accruals | 24(a) | 4,398 | 14,454 |
| Income tax payables | | 6,458 | – |
| Deferred income | 24(b) | 212 | 158 |
| Other borrowings | 26 | – | 10,000 |
| Convertible bonds | 27 | – | 19,617 |
| – classified as share-based payment transactions | | – | 19,617 |
| | | 11,201 | 44,535 |
| Liabilities of disposal group classified as held-for-sale | 22 | – | 263,212 |
| | | 11,201 | 307,747 |

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

Consolidated Statement of Financial Position

At 31 December 2015

| | Note | 2015 HK\$'000 | 2014 HK\$'000 |
|---|-------|------------------|------------------|
| Non-current liabilities | | | |
| Deferred income | 24(b) | 1,858 | 1,452 |
| Deferred income tax liabilities | 25 | 2,401 | 2,550 |
| Other borrowings | 26 | – | 32,000 |
| | | 4,259 | 36,002 |
| Total liabilities | | 15,460 | 343,749 |
| Net assets | | | |
| Equity attributable to owners of the Company | | | |
| Capital and reserves | | | |
| Share capital | 28 | 17,265 | 4,441 |
| Other reserves | 30 | 286,777 | 434,660 |
| Accumulated losses | | (263,876) | (457,548) |
| Equity attributable to owners of the Company | | 40,166 | (18,447) |
| Non-controlling interests | | 4,782 | 152,468 |
| | | 44,948 | 134,021 |

The consolidated financial statements on pages 28 to 115 were approved by the Board of Directors on 23 March 2016 and were signed on its behalf.

Chui Bing Sun*Director***Dong Choi Chi, Alex***Director*

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

Consolidated Statement of Changes In Equity

For the year ended 31 December 2015

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|--|---------------------------|--|------------------------------|-------------------------|--|------------------------------------|--|--------------------------------|-------------------|---------------------------------------|-------------------|
| | Share capital HK\$'000 (Note 28) | Share premium HK\$'000 | Contributed surplus HK\$'000 (Note 30) | Exchange reserve HK\$'000 | Option deed HK\$'000 | Share-based payment reserve HK\$'000 (Note 29) | Warrant shares reserve HK\$'000 | Convertible bonds equity reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total HK\$'000 |
| At 1 January 2014 | 3,795 | 117,577 | 31,713 | 25,904 | 19 | 222,528 | 8,495 | 28,609 | (403,489) | 35,151 | 152,851 | 188,002 |
| 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 shares warrant arrangement | - | - | - | - | - | - | (2,118) | - | - | (2,118) | - | (2,118) |
| Lapse of equity-settled shares warrant arrangement | - | - | - | - | - | - | (6,377) | - | 6,377 | - | - | - |
| Issue of shares upon placement | 646 | 10,610 | - | - | - | - | - | - | - | 11,256 | - | 11,256 |
| At 31 December 2014 | 4,441 | 128,187 | 31,713 | 23,604 | 19 | 222,528 | - | 28,609 | (457,548) | (18,447) | 152,468 | 134,021 |
| At 1 January 2015 | 4,441 | 128,187 | 31,713 | 23,604 | 19 | 222,528 | - | 28,609 | (457,548) | (18,447) | 152,468 | 134,021 |
| Loss for the year | - | - | - | - | - | - | - | - | (21,336) | (21,336) | 1,134 | (20,202) |
| Other comprehensive loss for the year | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | (1,302) | - | - | - | - | - | (1,302) | (718) | (2,020) |
| Release of exchange reserve upon disposal of subsidiaries | - | - | - | (21,506) | - | - | - | - | - | (21,506) | - | (21,506) |
| Total comprehensive loss for the year | - | - | - | (22,808) | - | - | - | - | (21,336) | (44,144) | 416 | (43,728) |
| Issue of shares upon placement | 1,750 | 11,820 | - | - | - | - | - | - | - | 13,570 | - | 13,570 |
| Issue of shares upon open offer | 8,881 | 60,306 | - | - | - | - | - | - | - | 69,187 | - | 69,187 |
| Issue of shares upon conversion of convertible bonds | 2,193 | 39,596 | - | - | - | (21,789) | - | - | - | 20,000 | - | 20,000 |
| Disposal of subsidiaries | - | - | - | - | - | (186,399) | - | (28,609) | 215,008 | - | (148,102) | (148,102) |
| At 31 December 2015 | 17,265 | 239,909 | 31,713 | 796 | 19 | 14,340 | - | - | (263,876) | 40,166 | 4,782 | 44,948 |

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Operating activities | | |
| Loss before taxation including discontinued operations | (13,579) | (63,424) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 2,072 | 4,398 |
| Amortisation of cemetery assets use rights | 1,090 | 7,563 |
| Amortisation of software license | – | 9 |
| Amortisation of deferred income | (165) | (305) |
| Re-measurement loss of assets of disposal group | – | 2,681 |
| Impairment loss on cemetery assets use rights | – | 3,102 |
| Impairment loss on goodwill | 396 | – |
| Impairment loss on intangible assets | – | 119 |
| Impairment loss on property, plant and equipment | 980 | – |
| Write-off of property, plant and equipment | 210 | 472 |
| Equity-settled shares warrant expenses | – | (2,118) |
| Fair value changes on financial instruments | 1,742 | 20,395 |
| Gain on disposal of property, plant and equipment | (10) | – |
| Gain on disposal of subsidiaries | (11,725) | – |
| Finance income | (4) | (28) |
| Finance costs | 858 | 11,315 |
| Income tax paid | (100) | (172) |
| Operating cash flows before movements in working capital | (18,235) | (15,993) |
| Decrease/(increase) in inventories | 98 | (1,806) |
| Decrease in prepayments, deposits and other receivables | 8,006 | 151 |
| Increase in restricted cash | (10) | (306) |
| (Decrease)/increase in trade payables | (511) | 133 |
| (Decrease)/increase in other payables and accruals | (12,192) | 9,113 |
| Increase in deferred income | 786 | 700 |
| Cash used in operations | (22,058) | (8,008) |
| Interest received | 4 | 28 |
| Interest paid | (796) | (6,220) |
| Net cash used in operations | (22,850) | (14,200) |

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Investing activities | | |
| Proceeds from disposal of property, plant and equipment | 15 | – |
| Disposal of subsidiaries | (3,264) | – |
| Purchase of property, plant and equipment | (1,359) | (4,124) |
| Net cash used in investing activities | (4,608) | (4,124) |
| Financing activities | | |
| Proceeds from placement of shares, net of issuance costs | 13,570 | 11,256 |
| Proceeds from open offer, net of issuance costs | 69,187 | – |
| Proceeds from other borrowings | – | 32,000 |
| Repayment of other borrowings | (32,000) | (21,317) |
| Net cash generated from financing activities | 50,757 | 21,939 |
| Net increase in cash and cash equivalents | 23,299 | 3,615 |
| Cash and cash equivalents at beginning of the year | 11,461 | 8,426 |
| Effects of foreign exchange rate changes, net | (103) | (580) |
| Cash and cash equivalents at end of the year | 34,657 | 11,461 |
| Represented by | | |
| Cash and cash equivalents | 34,657 | 5,591 |
| Cash and cash equivalents included in assets classified as held for sale | – | 5,870 |
| | 34,657 | 11,461 |

Major Non-Cash Transactions

The Group has the following major non-cash transactions:

- (i) During the year ended 31 December 2015, the Group has disposal of its interests in Reliance Group (as defined in Note 22) and the considerations were satisfied by settlement of convertible bonds and its accrued interest with a fair value as at the disposal date of HK\$127,975,000 and settlement of loan from a director of HK\$10,000,000. Further details are set out in Note 22 to the consolidated financial statements.

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 Units 1216-18, 12/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 and presentation currency of the Company. These financial statements have been approved for issue by the Board of Directors on 23 March 2016.

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 all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention except for derivative financial instruments and convertible bonds which are measured at fair value, as appropriate.

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

The following amendments to standards are mandatory for financial year beginning on or after 1 January 2015. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

| | |
|-----------------------------|---|
| HKAS 19 (2011) (Amendment) | Defined benefit plans: Employee contributions |
| Annual Improvements Project | Annual improvements 2010-2012 Cycle |
| Annual Improvements Project | Annual improvements 2011-2013 Cycle |

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

(b) 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 during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) 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 on 1 January 2015, and have not been early adopted by the Group.

| | | Effective for annual periods beginning on or after |
|---|---|---|
| HKFRS 14 | Regulatory deferral accounts | 1 January 2016 |
| HKFRS 11 (Amendment) | Accounting for acquisitions of interests in joint operations | 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 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |
| HKAS 27 (Amendment) | Equity method in separate financial statements | 1 January 2016 |
| Annual Improvements Project | Annual improvements 2012-2014 Cycle | 1 January 2016 |
| HKFRS 10, HKFRS 12 and HKAS 28 (Amendments) | Investment entities: applying the consolidation exception | 1 January 2016 |
| HKAS 1 (Amendments) | Disclosure initiative | 1 January 2016 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2018 |
| HKFRS 9 | Financial instruments | 1 January 2018 |

The Group has already commenced an assessment of the related impact of adopting 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.

Notes to the Consolidated Financial Statements**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.2 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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

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 in the income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

(a) Consolidation *(Continued)*

(i) Business combinations (Continued)

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.

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.

Notes to the Consolidated Financial Statements**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.2 Subsidiaries** *(Continued)***(b) Separate financial statements**

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

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

2.3 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.

2.4 Foreign currencies**(a) Functional and presentation currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars ("HK\$"), which is the company's functional and the group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings, restricted cash and cash and cash equivalents are presented in the income statement within 'finance income or finance costs'. All other foreign exchange gains and losses are presented in the income statement within 'other losses – net'.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currencies *(Continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 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 ¹ / ₃ % – 33 ¹ / ₃ % |
| Leasehold improvements | 20% |
| Machinery | 5% – 10% |
| Furniture and equipment | 20% – 33 ¹ / ₃ % |
| Motor vehicles | 10% – 33 ¹ / ₃ % |

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in 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 2.7).

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment *(Continued)*

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

2.6 Intangible assets

(a) **Goodwill**

Goodwill arises on the acquisition of subsidiaries 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 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.

Notes to the Consolidated Financial Statements**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.6 Intangible assets (Continued)****(b) Operating rights**

Separately acquired operating rights are carried at historical cost. Operating rights acquired in a business combination are recognised at fair value at the acquisition date. Operating rights with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such operating rights are not amortised. The useful life of an operating right with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(c) Club membership

Club membership is stated at cost less accumulated impairment losses, if any. Club membership which is intended to be held on a continuing basis is classified as non-current asset.

(d) Software license

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

2.7 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

2.8 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.

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.



Notes to the Consolidated Financial Statements**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.9 Financial assets****(a) Classification**

The Group classifies its financial assets in the following category: 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.

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, restricted cash 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. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.10 Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when they have been transferred together with substantially all risks and rewards of ownership.

The Group enters into certain transactions where it transfers financial assets recognised on its statement of financial position but retains either all or a portion of the risks and rewards of the transferred financial assets. In such cases, the transferred financial assets are not derecognised from the statement of financial position. They also include certain transactions where control over the financial asset is retained, for example, by a simultaneous transaction (such as options) with the same counterparty to which the asset is transferred. In such cases, the Group continues to recognise the asset to the extent of its continuing involvement which is the extent to which it is exposed to changes in the value of the transferred asset.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 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.

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)***2.12 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 or liabilities at fair value through profit or loss and changes in the fair value are recognised immediately in the income statement.

2.13 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 carried 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)*

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with banks.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables 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.

2.16 Financial liabilities

(a) Initial recognition, classification and subsequent measurement

Financial liabilities are initially recognised at fair value. The Group generally classifies and measures its financial liabilities in accordance with the purpose for which the financial liabilities are incurred and managed. Accordingly:

- Financial liabilities are classified as financial liabilities at fair value through profit or loss if they are incurred for the purpose of repurchasing in the near term (held-for-trading), and this may include debt securities issued and short positions in securities for the purpose of ongoing market-making, or trading. Financial liabilities at the fair value through profit or loss can also be designated by management on initial recognition (designated under the fair value option).

Realised or unrealised gains or losses on financial liabilities held for trading and financial liabilities designated under fair value option, except interest expense, are taken to "finance income or finance costs" in the income statement in the period they arise.

Notes to the Consolidated Financial Statements**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.16 Financial liabilities (Continued)****(a) Initial recognition, classification and subsequent measurement (Continued)***Convertible bonds not classified as share-based payment transaction*

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

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

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

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

- Derivative liabilities are treated consistently with derivative assets. Please refer to Note 2.12 for the accounting policy on derivatives.
- Other financial liabilities are carried at amortised cost using the effective interest method. These comprise predominantly "Trade and other payables" and "Other borrowings".

(b) Determination of fair value

The fair value of financial liabilities is the price that would be paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Derecognition of financial liabilities

A financial liability is derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

2.18 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.

2.19 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.

(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.

Notes to the Consolidated Financial Statements**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.19 Current and deferred income tax (Continued)****(b) Deferred income tax (Continued)***Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, 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 when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

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

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income 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.

2.20 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Employee benefits *(Continued)*

(b) Employee leave entitlements

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

(c) Bonus entitlements

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

2.21 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 save or holding shares for a specified period of time).

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

Notes to the Consolidated Financial Statements**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.21 Share-based payment transactions (Continued)****(a) Share-based payment transactions with employees and others providing similar services (Continued)**

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market 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.

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. 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. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 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.

2.22 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.

2.23 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)*****2.24 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)*

2.24 Revenue recognition *(Continued)*

(e) Sales of Eternity Gem products

The sales of Eternity Gem products, which use part of the ashes of loved one to turn into Eternity Gem as home accessories and personal ornament, and the remaining ashes is stored at a columbarium, are recognised upon (i) the Group has transferred the Eternity Gem products to the customers, (ii) the customers have acknowledged the receipts of the Eternity Gem products, and (iii) the collectability of the related receivables is reasonably assured.

2.25 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.

2.26 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.

2.27 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.



Notes to the Consolidated Financial Statements**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.28 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 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*

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group currently does not have a foreign currency policy to hedge its currency exposure arising from the net assets of the Group's foreign operations. Otherwise, the Group had no material exposure to foreign exchange risk as majority of the Group's assets were denominated in its functional currency of either Hong Kong Dollars or Renminbi.

(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 2015, the Group does not have any convertible bonds and other 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, restricted cash 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 2015 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) 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)

(c) 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 1 year or repayable on demand HK\$'000 | 1 to 5 years HK\$'000 | Over 5 years HK\$'000 | Total HK\$'000 |
|--|--|-----------------------------|-----------------------------|-------------------|
| 31 December 2015 | | | | |
| Trade payables | 133 | – | – | 133 |
| Other payables and accruals | 9,858 | – | – | 9,858 |
| | 9,991 | – | – | 9,991 |
| 31 December 2014 | | | | |
| Trade payables | 306 | – | – | 306 |
| Other payables and accruals | 13,888 | – | – | 13,888 |
| Other borrowings (including interest elements) | 11,900 | 36,566 | – | 48,466 |
| Convertible bonds (including interest elements) | 20,075 | – | – | 20,075 |
| | 46,169 | 36,566 | – | 82,735 |

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 2015 and 31 December 2014 were as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Current liabilities | 11,201 | 44,535 |
| Non-current liabilities | 4,259 | 36,002 |
| Total liabilities | 15,460 | 80,537 |
| Equity attributable to owners of the Company | 40,166 | (18,447) |
| Gearing ratio | 38.5% | N/A |

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.

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 2015:

| | Convertible Bonds measured as share-based payment transactions HK\$'000 | Total HK\$'000 |
|--|--|-------------------|
| Opening balance | (19,617) | (19,617) |
| Loss recognised in profit or loss for continuing operations | (383) | (383) |
| Conversion during the year | 20,000 | 20,000 |
| Closing balance | – | – |
| Total loss for the year including in profit or loss for continuing operations | (383) | (383) |

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 as 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 |
| Losses recognised in profit or loss for continuing operations | (520) | – | (520) |
| Closing balance | (19,617) | – | (19,617) |
| Total losses for the year included in profit or loss for continuing operations | (520) | – | (520) |

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. 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.

(a) Net realisable value of inventories

Net realisable value of inventories 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 People's Republic of China ("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

The valuation of the fair value of the share option 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 and the number of share options that are expected to vest. Where the outcome of the number of option 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 property, plant and equipment 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 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 location perspective, mainly Hong Kong and Mainland China.

In Mainland China, the Group mainly derives its revenue from the rendering of cremation services. In Hong Kong, the Group mainly derives its revenue from the rendering of funeral services and sales of related merchandise or eternity gem products.

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, 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.



Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

The segment results and other segment items for the year ended 31 December 2015 are as follows:

| | Mainland China HK\$'000 | Hong Kong HK\$'000 | Total HK\$'000 |
|---|----------------------------|-----------------------|-------------------|
| Segment revenue: | | | |
| Sales to external customers | 8,514 | 6,094 | 14,608 |
| Segment results | 483 | (8,144) | (7,661) |
| Unallocated corporate expenses, net | | | (15,804) |
| Finance income | | | 4 |
| Finance costs | | | (796) |
| Loss before taxation | | | (24,257) |
| Segment assets | 20,810 | 4,794 | 25,604 |
| Club membership | | | 2,700 |
| Prepayments, deposits and other receivables | | | 1,784 |
| Cash and cash equivalents | | | 30,320 |
| Total assets | | | 60,408 |
| Segment liabilities | (5,557) | (1,531) | (7,088) |
| Other payables and accruals | | | (8,372) |
| Total liabilities | | | (15,460) |
| Other segment information: | | | |
| Depreciation and amortisation | 636 | 1,162 | 1,798 |
| Impairment of property, plant & equipment | – | 980 | 980 |
| Impairment of goodwill | – | 396 | 396 |
| Impairment of other receivables | – | 9,860 | 9,860 |
| Capital expenditure | 1,087 | 272 | 1,359 |

Notes to the Consolidated Financial Statements

5 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 |
|---|----------------------------|-----------------------|-------------------|
| Segment revenue: | | | |
| Sales to external customers | 8,192 | 3,443 | 11,635 |
| Segment results | | | |
| | 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 |
| Club membership | | | 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 |
| Total assets | | | |
| | | | 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) |
| Total liabilities | | | |
| | | | (343,749) |
| Other segment information: | | | |
| Depreciation and amortisation | 883 | 1,348 | 2,231 |
| Capital expenditure | 3,295 | 829 | 4,124 |

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

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

| | 2015 | 2014 |
|--|---------------|----------|
| | HK\$'000 | HK\$'000 |
| Rendering of funeral, cremation and preneed services | 12,305 | 11,071 |
| Sales of Eternity Gem products | 1,256 | 564 |
| Management service fee | 1,047 | – |
| | 14,608 | 11,635 |

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 2015 and 31 December 2014.

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong is HK\$6,094,000 (2014: HK\$3,443,000) and total revenue from external customers in Mainland China is HK\$8,514,000 (2014: HK\$8,192,000).

6 OTHER INCOME AND OTHER LOSSES, NET

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

(a) Other income

| | 2015 | 2014 |
|---------------|--------------|----------|
| | HK\$'000 | HK\$'000 |
| Rental income | 420 | 315 |
| Sundry income | 704 | 632 |
| | 1,124 | 947 |

Notes to the Consolidated Financial Statements

6 OTHER INCOME AND OTHER LOSSES, NET *(Continued)*

(b) Other losses, net

| | 2015 | 2014 |
|--|--------------|----------|
| | HK\$'000 | HK\$'000 |
| Gain on disposal of a subsidiary (i) | 6 | – |
| Fair value changes on convertible bonds measured as share-based payment transactions | (383) | (520) |
| | (377) | (520) |

Note:

- (i) During the year ended 31 December 2015, Solar Finance Limited, one of the Company's wholly owned subsidiaries, was disposed of at a consideration of HK\$100,000 to Computech Online Limited, a company wholly owned by Mr. Chui Bing Sun ("Mr. Chui"), an executive Director and the Chairman of the Board. The share transfer was completed on 31 March 2015.

On the date of disposal, the net asset value of Solar Finance Limited was HK\$94,000 which approximated its fair value. The transaction represents a related party transaction which has been disclosed in note 34.

7 LOSS BEFORE TAXATION

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

| | 2015 | 2014 |
|---|----------|----------|
| | HK\$'000 | HK\$'000 |
| Cost of inventories recognised as expense | 483 | 645 |
| Employees benefits expenses (Note 8) | 8,604 | 8,885 |
| Depreciation of property, plant and equipment | 1,798 | 2,231 |
| Impairment of property, plant and equipment (Note 15) | 980 | – |
| Impairment of goodwill | 396 | – |
| Impairment of other receivable (Note 20) | 9,860 | – |
| Auditors' remuneration | | |
| – Audit services | 1,000 | 1,450 |
| – Non-audit services | 250 | 1,250 |
| Minimum lease payments under operating leases in respect of buildings | 1,999 | 1,843 |

Notes to the Consolidated Financial Statements

8 EMPLOYEES BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

| | 2015 | 2014 |
|--|--------------|----------|
| | HK\$'000 | HK\$'000 |
| Salaries and other benefits | 8,410 | 10,774 |
| Equity-settled warrant shares expenses | – | (2,118) |
| Pension schemes contributions | 194 | 229 |
| | 8,604 | 8,885 |

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2014: two) director, details of whose remuneration are set out in Note 10 below. Details of the remuneration of the remaining four (2014: three) highest paid employees who are not directors for the year are as follows:

| | 2015 | 2014 |
|---|--------------|----------|
| | HK\$'000 | HK\$'000 |
| Salaries, allowances and benefits in kind | 2,674 | 2,082 |
| Performance related bonuses | 138 | – |
| Pension schemes contributions | 63 | 51 |
| | 2,875 | 2,133 |

There are four (2014: three) highest paid employees who are not directors and whose remuneration fell within the following bands is as follows:

| | Number of employees | |
|-------------------------------|---------------------|------|
| | 2015 | 2014 |
| Nil – HK\$1,000,000 | 3 | 2 |
| HK\$1,000,001 – HK\$1,500,000 | 1 | 1 |
| | 4 | 3 |

Notes to the Consolidated Financial Statements

10 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G))

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2015:

| Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking | | | | | | | | Remunerations paid or receivable in respect of accepting office as director HK\$'000 | Total HK\$'000 |
|---|---------------|-----------------|--------------------------------|----------------------------|---|---|---|--|----------------|
| Name | Fees HK\$'000 | Salary HK\$'000 | Discretionary bonuses HK\$'000 | Housing allowance HK\$'000 | Estimated money value of other benefits (Note a) HK\$'000 | Employer's contribution to a retirement benefit scheme HK\$'000 | | | |
| Mr. Chui Bing Sun | - | 310 | - | - | 19 | 11 | - | 340 | |
| Mr. Kwok Kwan Hung (c) | - | 93 | 338 | - | - | 5 | - | 436 | |
| Mr. Dong Choi Chi, Alex (b) | - | 120 | - | - | - | 6 | - | 126 | |
| Mr. Yao Kan Shan (b) | - | 120 | - | - | - | 6 | - | 126 | |
| Mr. Chan Wai Man | 180 | - | - | - | - | - | - | 180 | |
| Mr. Law Yee Man, Thomas (d) | 141 | - | - | - | - | - | - | 141 | |
| Mr. Siu Hi Lam, Alick | 180 | - | - | - | - | - | - | 180 | |
| Mr. Ting Kit Lun (e) | 40 | - | - | - | - | - | - | 40 | |

Notes:

- (a) Other benefits include leave pay, share option, insurance premium
- (b) Appointed on 4 May 2015
- (c) Retired on 15 June 2015
- (d) Resigned on 12 October 2015
- (e) Appointed on 12 October 2015

Notes to the Consolidated Financial Statements

10 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G)) (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2014 (Restated):

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

| Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking | | | | | | | | |
|--|------------------|--------------------|--------------------------------------|----------------------------------|---|---|---|-------------------|
| Name | Fees HK\$'000 | Salary HK\$'000 | Discretionary bonuses HK\$'000 | Housing allowance HK\$'000 | Estimated money value of other benefits (Note a) HK\$'000 | Employer's contribution to a retirement benefit scheme HK\$'000 | Remunerations paid or receivable in respect of accepting office as director HK\$'000 | Total HK\$'000 |
| Mr. Chui Bing Sun | - | 1,469 | - | - | 215 | 16 | - | 1,700 |
| Mr. Kwok Kwan Hung | - | 682 | - | - | 1 | 15 | - | 698 |
| Mr. Chan Wai Man | 180 | - | - | - | - | - | - | 180 |
| Mr. Law Yee Man, Thomas | 180 | - | - | - | - | - | - | 180 |
| Mr. Siu Hi Lam, Alick | 180 | - | - | - | - | - | - | 180 |

Notes:

(a) Other benefits include leave pay, share option, insurance premium

Notes to the Consolidated Financial Statements**10 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G)) (Continued)****(b) Directors' retirement benefits and termination benefits**

None of the directors received or will receive any retirement benefits or termination benefits during the year (2014: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2015, the Company did not pay consideration to any third parties for making available directors' services (2014: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2015, there was no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2014: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

During the year, the disposal of Reliance Group in relation to the Company's business where the Company 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 or at any time during the year (2014: Nil). The transaction has been disclosed as related party transaction in Note 22.

Notes to the Consolidated Financial Statements

11 FINANCE INCOME AND COSTS

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

| | 2015 | 2014 |
|---|--------------|----------------|
| | HK\$'000 | HK\$'000 |
| Interest on: | | |
| – Other borrowings | (721) | (5,920) |
| – Convertible bonds | (75) | (300) |
| Total finance costs | (796) | (6,220) |
| Finance income: | | |
| – Interest income on short-term bank deposits | 4 | 3 |
| Total finance income | 4 | 3 |
| Net finance costs | (792) | (6,217) |

12 INCOME TAX EXPENSE

| | 2015 | 2014 |
|--------------------|----------|----------|
| | HK\$'000 | HK\$'000 |
| Income tax expense | 100 | 172 |

Hong Kong profits tax is calculated at 16.5% (2014: 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 (2014: Nil).

The subsidiaries in the People's Republic of China (the "PRC") are subject to the PRC corporate income tax at 25% (2014: 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:

| | 2015 | 2014 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Loss before taxation | (24,257) | (27,398) |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | (2,867) | (1,382) |
| Income not subject to taxation | (59) | (10) |
| Expenses not deductible for tax | 1,869 | 597 |
| Others | 51 | 41 |
| Tax losses for which no deferred income tax asset was recognised | 1,106 | 926 |
| Income tax expense | 100 | 172 |

13 DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

14 LOSS/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit from continuing and discontinued operations attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

On 17 February 2015, the Company issued 70,000,000 new ordinary shares through a share placement. The placing price was HK\$0.20 per share and represented a discount to the market price of the then existing shares. The weighted average number of shares used for current year calculations of loss per share has been adjusted for the bonus element implicit in the discount.

Notes to the Consolidated Financial Statements

14 LOSS/EARNINGS PER SHARE (Continued)

(a) Basic (Continued)

On 17 February 2015, the Company issued 355,257,598 new ordinary shares through an open offer to all existing shareholders (the "Open Offer"). The subscription price was HK\$0.20 per share and represented a discount to the market price of the then existing shares. The number of shares used for prior year calculations of loss per share shown below has been adjusted for the bonus element implicit in the discount in order to provide a comparable basis for the current year.

On 31 March 2015, the Company issued 87,719,298 new ordinary shares upon the exercise of the conversion rights by the bondholder.

| | 2015 | 2014 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Loss from continuing operations attributable to owners of the Company | (24,473) | (27,737) |
| Profit/(loss) from discontinued operations attributable to owners of the Company | 3,137 | (32,699) |
| | (21,336) | (60,436) |
| Weighted average number of ordinary shares in issue (in thousands) (2014 restated) | 652,305 | 177,070 |

(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 one category (2014: three) of dilutive potential ordinary shares: share options (2014: share options, convertible bonds and warrants). For the share options, 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.

The dilutive potential ordinary shares in respect of the Company's outstanding share options for the year ended 31 December 2015 and in respect of the Company's outstanding share options, convertible bonds and warrants for the year ended 31 December 2014 are anti-dilutive.

Notes to the Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT

| | 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 |
|---|-----------------------|---------------------------------------|---|-----------------------|--|-------------------------------|-------------------|
| Cost | | | | | | | |
| At 1 January 2014 | 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 22(b)) | (23,439) | (4,302) | (23,251) | (1,773) | (2,934) | (1,040) | (56,739) |
| Exchange realignment | (200) | (10) | (119) | (22) | (7) | (6) | (364) |
| At 31 December 2014 | 11,586 | 2,693 | 108 | 2,834 | 390 | 2,302 | 19,913 |
| Additions | 93 | 429 | 75 | 552 | 26 | 184 | 1,359 |
| Disposals | - | - | - | - | - | (572) | (572) |
| Impairment (Note (i)) | - | (2,389) | - | (252) | (177) | - | (2,818) |
| Write off | - | (305) | - | - | - | - | (305) |
| Transfer | - | - | (181) | - | 181 | - | - |
| Exchange realignment | (687) | (10) | (2) | (134) | (10) | (28) | (871) |
| At 31 December 2015 | 10,992 | 418 | - | 3,000 | 410 | 1,886 | 16,706 |
| Accumulated depreciation | | | | | | | |
| At 1 January 2014 | 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 22(b)) | (14,095) | (1,634) | - | (372) | (2,133) | (685) | (18,919) |
| Exchange realignment | (43) | (2) | - | (4) | (1) | (3) | (53) |
| At 31 December 2014 | 4,358 | 1,110 | - | 928 | 175 | 902 | 7,473 |
| Charge for the year | 370 | 525 | - | 476 | 44 | 383 | 1,798 |
| Impairment (Note (i)) | - | (1,514) | - | (178) | (146) | - | (1,838) |
| Write off | - | (95) | - | - | - | - | (95) |
| Disposals | - | - | - | - | - | (567) | (567) |
| Exchange realignment | (314) | - | - | (45) | (3) | (13) | (375) |
| At 31 December 2015 | 4,414 | 26 | - | 1,181 | 70 | 705 | 6,396 |
| Net carrying amounts: | | | | | | | |
| At 31 December 2015 | 6,578 | 392 | - | 1,819 | 340 | 1,181 | 10,310 |
| At 31 December 2014 | 7,228 | 1,583 | 108 | 1,906 | 215 | 1,400 | 12,440 |

Note:

- (i) During the year ended 31 December 2015, due to the change in market conditions and losses suffered by the funeral services business in Hong Kong, impairment charges of HK\$980,000 were made which was determined from value in use calculation based on a discount rate of 15.5% and a cash flow projection derived from estimated earnings to be generated in the future periods.

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 |
|---|----------------------|---------------------------------|--------------------------------|---------------------------------|-------------------|
| Cost | | | | | |
| At 1 January 2014 | 825 | 26,097 | 2,900 | 82 | 29,904 |
| Transferred to disposal group classified as held for sale (Note 22(b)) | – | (15,833) | – | (81) | (15,914) |
| Exchange realignment | – | (118) | – | (1) | (119) |
| At 31 December 2014 | 825 | 10,146 | 2,900 | – | 13,871 |
| Exchange realignment | – | (539) | – | – | (539) |
| At 31 December 2015 | 825 | 9,607 | 2,900 | – | 13,332 |
| Accumulated amortisation and impairment | | | | | |
| At 1 January 2014 | 429 | – | 200 | 9 | 638 |
| Charge for the year | – | – | – | 9 | 9 |
| Impairment loss | – | 119 | – | – | 119 |
| Transferred to disposal group classified as held for sale (Note 22(b)) | – | (119) | – | (18) | (137) |
| At 31 December 2014 | 429 | – | 200 | – | 629 |
| Impairment loss | 396 | – | – | – | 396 |
| At 31 December 2015 | 825 | – | 200 | – | 1,025 |
| Net carrying amounts: | | | | | |
| At 31 December 2015 | – | 9,607 | 2,700 | – | 12,307 |
| At 31 December 2014 | 396 | 10,146 | 2,700 | – | 13,242 |

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 CGUs that represent subsidiaries engaged in the provision of funeral services.

For the year ended 31 December 2015, due to the change in market conditions and losses suffered by the funeral services business in Hong Kong, impairment charges of HK\$396,000 were made which was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. Cash flows beyond the 5 year period are extrapolated using the estimated growth rates stated as below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumption and parameter used for these calculations are as follows:

| | 2015 | 2014 |
|-----------------------|-------|-------|
| Long-term growth rate | 3.0% | 3.0% |
| Discount rate | 15.5% | 15.5% |

17 CEMETERY ASSETS USE RIGHTS

| | HK\$'000 |
|--|-----------|
| At 1 January 2014 | 260,092 |
| Transferred to inventories | (18,410) |
| Transferred to disposal group classified as held for sale (Note 22(b)) | (240,190) |
| Exchange realignment | (1,492) |
| At 31 December 2014 and 31 December 2015 | – |

Notes to the Consolidated Financial Statements

17 CEMETERY ASSETS USE RIGHTS *(Continued)*

Note a: During the year ended 31 December 2014, total impairment loss of HK\$3,102,000 for cemetery assets use rights in inventories under current assets has been charged to discontinued operations (Note 22(d)). The impairment loss arose in the cemetery assets use rights in the PRC following the intense local competition for operating cemetery in Huaiji 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.

Note b: Amortisation of cemetery assets use rights of HK\$1,090,000 (2014: HK\$7,563,000) has been charged to discontinued operations (Note 22(d)).

For purposes of impairment review conducted for the year ended 31 December 2014, the recoverable amount of cemetery assets use rights was determined based on value-in-use calculations of the cemetery businesses located in Huaiji County ("Huaiji County") and Suzhou Celebrities ("Suzhou Celebrities"). The value-in-use calculations use post-tax cash flow projections based on financial budgets approved by management for 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:

| | |
|----------------------|--------|
| – Huaiji County | 17.55% |
| – Suzhou Celebrities | 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.

Notes to the Consolidated Financial Statements

18 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2015 and 2014:

| Name of subsidiary | Place of incorporation and kind of legal entity | Issued ordinary/ paid up registered capital | Percentage of equity attributable to the Company | | Principal activities and Place of operation (vii) |
|---|--|--|--|-----------|---|
| | | | 2015 % | 2014 % | |
| Grand Creation Investments Limited ("Grand Creation") (i) | BVI, limited liability company | US\$1 | 100 | 100 | Investment holding for a BVI entity |
| 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 for a PRC entity |
| Sage Dignity Services Limited | HK, limited liability company | HK\$100 | 100 | 100 | Provision of administrative services |
| Sage Eternity Gem Services Limited | HK, limited liability company | HK\$1 | 100 | 100 | Selling of eternity gem products |
| Sage Funeral Services Limited | HK, limited liability company | HK\$17 | 100 | 100 | Operation of funeral business |
| Sage International Group Corporation (Formerly known as Billion Station Limited) (i) | British Virgin Islands ("BVI"), limited liability company | US\$10,000 | 100 | 100 | Investment holding for Hong Kong ("HK") and BVI entities |
| Sage Preneed Services Limited | HK, limited liability company | HK\$1 | 100 | 100 | Provision of preneed funeral services |
| 懷集萬福山殯儀館有限公司 (Huai Ji Luck Mountain Funeral Parlor Limited) ("Huai Ji") (ii) & (iv) | PRC, wholly foreign-owned enterprise | RMB10,500,000 | 100 | 100 | Operation of cemetery and funeral business |

Notes to the Consolidated Financial Statements

18 SUBSIDIARIES (Continued)

| Name of subsidiary | Place of incorporation and kind of legal entity | Issued ordinary/ paid up registered capital | Percentage of equity attributable to the Company | | Principal activities and Place of operation (vii) |
|--|---|--|--|-----------|--|
| | | | 2015 % | 2014 % | |
| Glory Prospect Limited (vi) | HK, limited liability company | HK\$1 | - | 100 | Provision of administrative service |
| Era Investment (Holding) Inc. ("EHI") (v) & (vi) | BVI, limited liability company | US\$50,000 | - | 50 | Investment holding for a PRC entity |
| Reliance Death Care Services Incorporation (i) & (vi) | BVI, limited liability company | US\$1 | - | 100 | Investment holding for HK and BVI entities |
| Sage Death Care Services Holdings Limited (vi) | BVI, limited liability company | US\$1 | - | 100 | Investment holding for a HK entity |
| Solar Finance Limited (Formerly known as Checkmate Securities Advisors Limited) | HK, limited liability company | HK\$5,000,000 | - | 100 | Money lending |
| 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 | Operation of cemetery and funeral business |
| 懷集縣萬福墓園有限公司 (Huai Ji Luck Point Cemetery Limited) ("Huai Ji Cemetery") (ii) & (vi) | PRC, wholly foreign-owned enterprise | RMB1,000,000 | - | 100 | Operation of cemetery and funeral business |
| 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 | Operation of cemetery and funeral business |

Notes to the Consolidated Financial Statements

18 SUBSIDIARIES *(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, is entitled to a profit sharing ratio of 70% of the result of Huai Ji.
- (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) For the year ended 31 December 2014, these subsidiaries were included in the disposal group classified as held for sale. The disposal was completed on 17 February 2015.
- (vii) The place of operations is equivalent to its place of incorporations unless stated otherwise.

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.

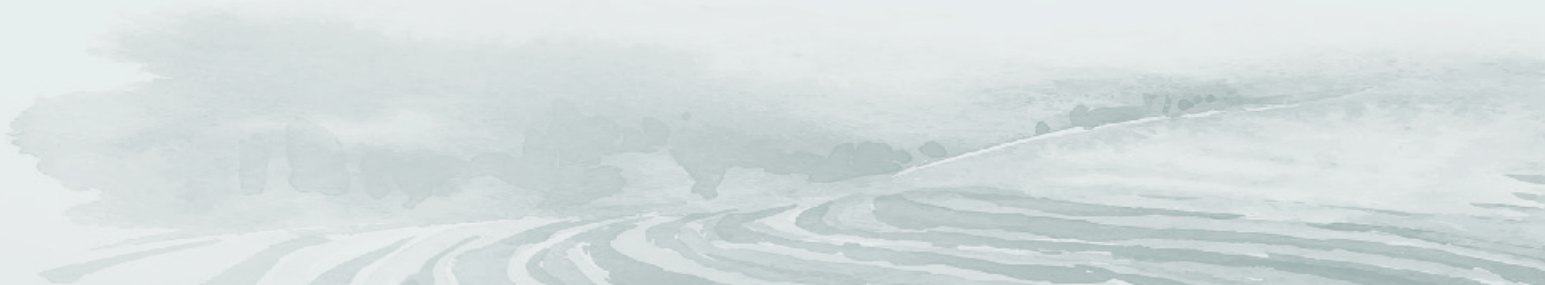
As at 31 December 2015, the total non-controlling interest is HK\$4,782,000 which is attributed to Huai Ji. As at 31 December 2014, the total non-controlling interest is HK\$152,468,000 of which HK\$131,638,000 is attributed to EIHI, HK\$16,146,000 is attributed to Bijie and HK\$4,684,000 is attributed to Huai Ji.

Significant restrictions

Cash and cash equivalents of HK\$1,771,000 for Huai Ji (2014: HK\$885,000) 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 is the summarized financial information for each subsidiary that has non-controlling interests that are material to the Group.



Notes to the Consolidated Financial Statements

18 SUBSIDIARIES (Continued)

Summarised statement of financial position

| | Huai Ji | |
|-------------------|------------------|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 |
| Total assets | 20,810 | 20,621 |
| Total liabilities | (5,557) | (4,766) |
| Net assets | 15,253 | 15,855 |

Summarised statement of comprehensive income

| | Huai Ji | |
|--|------------------|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 |
| Revenue | 8,514 | 8,192 |
| Profit for the year | 388 | 548 |
| Total comprehensive (loss)/profit | (596) | 1,314 |
| Total comprehensive (loss)/profit allocated to non-controlling interests | (259) | 290 |

Notes to the Consolidated Financial Statements

18 SUBSIDIARIES *(Continued)*

Summarised statement of cash flows

| | Huai Ji | |
|---|------------------|------------------|
| | 2015 HK\$'000 | 2014 HK\$'000 |
| Net increase in cash and cash equivalents | 885 | 237 |
| Cash and cash equivalents at 1 January | 912 | 675 |
| Cash and cash equivalents at 31 December | 1,797 | 912 |

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

19 INVENTORIES

| | 2015 HK\$'000 | 2014 HK\$'000 |
|------------------------------|------------------|------------------|
| Funeral related merchandises | 184 | 201 |

Notes to the Consolidated Financial Statements

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Prepayments and other receivables (i) | 12,138 | 740 |
| Rental and other deposits | 111 | 259 |
| Amount due from a director (ii) | 245 | 245 |
| | 12,494 | 1,244 |
| Impairment of other receivables (i) | (9,860) | – |
| | 2,634 | 1,244 |
| Less: non-current portion: | | |
| Others | (145) | (210) |
| Current portion | 2,489 | 1,034 |

Notes:

- (i) The amount mainly represents debt assignment amounting to HK\$11,360,000 (Note 22(a)), of which HK\$9,860,000 has been impaired as the balance has been past due and unsecured and the debtor is not able to provide the relevant financial information to support its financial viability.
- (ii) Amount due from a director is unsecured, non-interest bearing and repayable on demand (note 34(b)).

21 RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

| | 2015 HK\$'000 | 2014 HK\$'000 |
|----------------------------|------------------|------------------|
| Cash and bank balances (i) | 34,657 | 5,591 |
| Restricted cash (ii) | 316 | 306 |
| | 34,973 | 5,897 |

Notes:

- (i) Cash at banks earns interest at floating rates based on daily bank deposit rates.
- (ii) As at 31 December 2015, HK\$316,000 (2014: HK\$306,000) are restricted deposits held at bank pursuant to the trust deed of Sage Dignity Trust, where the trust account is set up for designated purpose for the provision of funeral services under preneed service agreements.

Notes to the Consolidated Financial Statements

21 RESTRICTED CASH AND CASH AND CASH EQUIVALENTS *(Continued)*

Restricted cash and cash and cash equivalents were denominated in the following currencies:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--------------------|------------------|------------------|
| HK Dollar ("HK\$") | 33,125 | 4,859 |
| Renminbi ("RMB") | 1,770 | 895 |
| US Dollar ("US\$") | 78 | 143 |
| | 34,973 | 5,897 |

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.

22 NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

On 2 April 2014, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Reliance Death Care Services Inc. and its subsidiaries (collectively "Reliance Group"), which mainly operate cemetery business in Mainland China, to Great World Investors Limited (a company wholly-owned by Mr. Chui) 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 (Note 26(i)) (the "Disposal Transaction").

Accordingly, the assets and liabilities of Reliance Group were reclassified as held for sale at 31 December 2014.

As the operation of the Reliance Group is considered as a separate major line of business which was previously classified as part of the Mainland China operating segment, it is accounted for as a discontinued operation. The disposal was completed on 17 February 2015.

Notes to the Consolidated Financial Statements

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

(a) The carrying amounts of assets and liabilities as of the disposal date were as follows:

| | HK\$'000 |
|--|-----------|
| Property, plant and equipment | 37,412 |
| Intangible assets | 15,743 |
| Cemetery assets use rights | 239,448 |
| Inventories: | |
| – Cemetery assets use rights | 103,328 |
| – Construction cost and cemetery related merchandises | 14,031 |
| Prepayments, deposits and other receivables | 27,806 |
| Cash and cash equivalents | 3,264 |
| Trade payables | (614) |
| Other payables and accruals | (13,828) |
| Deferred income | (1,494) |
| Deferred income tax liabilities | (77,754) |
| Other borrowings | (40,124) |
| <hr/> | |
| Net assets disposed of | 307,218 |
| Non-controlling interests | (148,102) |
| <hr/> | |
| Net assets disposed of attributable to the owners of the Company | 159,116 |
| Less: Debt assignment to Forrex (Note) | (11,360) |
| Less: Consideration | (137,975) |
| <hr/> | |
| | 9,781 |
| Release of exchange reserve upon disposal of subsidiaries | (21,506) |
| <hr/> | |
| Gain on disposal of subsidiaries | (11,725) |
| <hr/> | |

Note: The Company advanced a shareholder's loan of HK\$22,720,000 to EIHI, and EIHI, in turn, injected such amount into Suzhou Celebrities for the construction and renovation works of Suzhou Celebrities in years 2011 and 2012. Forrex (Holding) Inc. ("Forrex"), the remaining 50% shareholder of EIHI, did not make any advance to EIHI. Since Suzhou Celebrities was disposed of by the Company and the advance would be assigned to Great World Investors Limited after the disposal. After arm's length negotiation with Forrex, the Company and Forrex agreed that 50% of such amount would be taken up by Forrex as its obligation to such advance. As such, HK\$11,360,000 of such advance which was due by EIHI to the Company as at the completion date was assigned to Forrex as the amount due to the Group according to the deed of assignment entered into among the Company, Forrex and EIHI and such amount will be repayable by Forrex to the Company within 12 months from the completion date.

Notes to the Consolidated Financial Statements

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

(b) Assets and liabilities of the disposal group classified as held for sale as at 31 December 2014.

| | 2014 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 |
| | <hr/> |
| Assets of the disposal group classified as held for sale | 444,746 |

| | 2014 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 |
| | <hr/> |
| Liabilities of the disposal group classified as held for sale | 263,212 |

(c) Cumulative income or expense recognised in other comprehensive income relating to the disposal group classified as held for sale

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Exchange differences on translation of foreign operations | 21,506 | 22,686 |
| | <hr/> | <hr/> |
| Total | 21,506 | 22,686 |

Notes to the Consolidated Financial Statements

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

- (d) In accordance with HKFRS 5 as at 31 December 2014, the assets and liabilities held for sale were written down to their fair value less costs to sell. This is a non-recurring level 3 fair value measurement based on discounted cash flow approach for the cemetery businesses located in Huaiji County and Suzhou Celebrities respectively and asset approach for the cemetery business in Bijie City.

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 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.

Discount rate:

| | |
|----------------------|--------|
| – Huaiji County | 16.63% |
| – Suzhou Celebrities | 17.78% |

Growth rate for first five years:

| | |
|----------------------|-----------|
| – Huaiji County | 30% – 47% |
| – Suzhou Celebrities | 12% – 35% |

Terminal growth rate

3%

- (e) An analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets of disposal group, is as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Revenue | 5,396 | 31,445 |
| Expenses | (6,443) | (64,790) |
| Loss before tax of discontinued operations | (1,047) | (33,345) |
| Tax | 273 | 2,642 |
| Loss after tax of discontinued operations | (774) | (30,703) |
| Pre-tax loss recognised on the re-measurement of assets of the disposal group | – | (2,681) |
| Tax | – | 670 |
| After tax loss recognised on the re-measurement of assets of the disposal group | – | (2,011) |
| Gain on disposal of subsidiaries | 11,725 | – |
| Income tax from the disposal of PRC subsidiaries | (6,796) | – |
| Gain on disposal of subsidiaries after tax | 4,929 | – |
| Profit/(loss) for the year from discontinued operations | 4,155 | (32,714) |

Notes to the Consolidated Financial Statements

22 NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

(Continued)

(f) An analysis of the expenses of discontinued operations is as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Cost of inventories recognised as expense | | |
| – cemetery assets use rights | 1,090 | 7,563 |
| – cemetery merchandises | 809 | 1,532 |
| – impairment loss on cemetery assets use rights | – | 3,102 |
| Employees benefits expenses | 937 | 9,913 |
| Fair value changes on derivative component of convertible bonds | 58 | 525 |
| Fair value changes on convertible bonds | | |
| – classified as share-based payment transactions | 811 | 19,351 |
| Depreciation of property, plant and equipment | 274 | 2,167 |
| Minimum lease payments under operating leases in respect of buildings | 193 | 1,531 |

(g) Cash flows

| | 2015 HK\$'000 | 2014 HK\$'000 |
|----------------------|------------------|------------------|
| Operating cash flows | (2,585) | 6,916 |
| Investing cash flows | – | (2,952) |
| Financing cash flows | – | (3,865) |
| Total cash flows | (2,585) | 99 |

Notes to the Consolidated Financial Statements

23 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:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|----------------|------------------|------------------|
| Within 30 days | 29 | 60 |
| 31-60 days | 5 | 8 |
| 61-90 days | 1 | 9 |
| 91 days-1 year | 98 | 19 |
| Over 1 year | – | 210 |
| | 133 | 306 |

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.

24 (a) OTHER PAYABLES AND ACCRUALS

| | 2015 HK\$'000 | 2014 HK\$'000 |
|------------------------------|------------------|------------------|
| Other payables and accruals | 2,826 | 13,401 |
| Amount due to a director (i) | 574 | 487 |
| Receipt in advance | 998 | 566 |
| | 4,398 | 14,454 |

Note:

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

Notes to the Consolidated Financial Statements

24 (b) DEFERRED INCOME

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---------------------------|------------------|------------------|
| Deferred Income: | | |
| – Government grant (i) | 2,070 | 1,610 |
| | 2,070 | 1,610 |
| Less: non-current portion | (1,858) | (1,452) |
| Current portion | 212 | 158 |

Note:

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

25 DEFERRED INCOME TAX

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Deferred tax liabilities: | | |
| Deferred tax liability to be utilised after more than 12 months | 2,401 | 2,550 |

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

| | HK\$'000 |
|--|--------------|
| Year ended 31 December 2014 | |
| At 1 January 2014 | 83,716 |
| Credited to profit or loss | (2,642) |
| Transferred to the disposal group classified as held for sale (note 22(b)) | (78,665) |
| Exchange realignment | 141 |
| At 31 December 2014 | 2,550 |
| Year ended 31 December 2015 | |
| At 1 January 2015 | 2,550 |
| Exchange realignment | (149) |
| At 31 December 2015 | 2,401 |

Notes to the Consolidated Financial Statements

25 DEFERRED INCOME TAX (Continued)

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

| Deferred tax liabilities | Fair value adjustment from business combination HK\$'000 |
|--|--|
| Year ended 31 December 2014 | |
| At 1 January 2014 | 94,673 |
| Credited to profit or loss | (2,642) |
| Transferred to the disposal group classified as held for sale (note 22(b)) | (89,481) |
| <hr/> | |
| At 31 December 2014 | 2,550 |
| <hr/> | |
| Year ended 31 December 2015 | |
| At 1 January 2015 | 2,550 |
| Exchange realignment | (149) |
| <hr/> | |
| At 31 December 2015 | 2,401 |
| <hr/> | |
| Deferred tax assets | Tax losses HK\$'000 |
| Year ended 31 December 2014 | |
| At 1 January 2014 | 10,957 |
| Transferred to the disposal group classified as held for sale (note 22(b)) | (10,816) |
| Exchange realignment | (141) |
| <hr/> | |
| At 31 December 2014 and 31 December 2015 | – |
| <hr/> | |

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\$3,863,000 (2014: HK\$2,757,000) in respect of losses amounting to HK\$23,412,000 (2014: HK\$16,709,000) arising in Hong Kong.

Notes to the Consolidated Financial Statements

26 OTHER BORROWINGS

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Loan from a director (i) | – | 10,000 |
| Loan from an independent third party (ii) | – | 32,000 |
| | – | 42,000 |
| Less: non-current portion | – | (32,000) |
| | – | 10,000 |
| Current portion | – | 10,000 |

Notes:

- (i) Loan from a director is unsecured, interest bearing at 19% per annum. The balance was repaid during the year.
- (ii) Loan from an independent third party is unsecured, interest bearing at 12% per annum. The balance was repaid during the year.

The borrowings were repayable as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|----------------------------|------------------|------------------|
| Within 1 year or on demand | – | 10,000 |
| Between 1 and 2 years | – | 32,000 |
| | – | 42,000 |

Notes to the Consolidated Financial Statements

27 CONVERTIBLE BONDS

(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:

| Date of issue Maturity date | CB1 | CB3 | Total |
|--|--|--|-----------|
| | 23.06.2010 31.03.2015 (i) HK\$'000 | 23.05.2011 22.05.2016 (iii) HK\$'000 | |
| Equity component as at 1 January 2014 | | | |
| and 31 December 2014 | 21,789 | 186,399 | 208,188 |
| Disposal of convertible bonds | – | (186,399) | (186,399) |
| Conversion of convertible bond into shares | (21,789) | – | (21,789) |
| Equity component as at 31 December 2015 | – | – | – |
| Liability component as at 1 January 2014 | 19,097 | 77,051 | 96,148 |
| Fair value changes of convertible bonds | 520 | 19,351 | 19,871 |
| Liability component as at 31 December 2014 | 19,617 | 96,402 | 116,019 |
| Transferred to the disposal group classified as held for sale | – | (96,402) | (96,402) |
| Liability component as at 31 December 2014 | 19,617 | – | 19,617 |
| Liability component as at 1 January 2015 | 19,617 | – | 19,617 |
| Fair value changes of convertible bonds | 383 | – | 383 |
| Conversion of convertible bond into shares | (20,000) | – | (20,000) |
| Liability component as at 31 December 2015 | – | – | – |

Notes to the Consolidated Financial Statements

27 CONVERTIBLE BONDS (Continued)

(a) Convertible bonds – classified as share-based payment transactions (Continued)

For the year ended 31 December 2014, the liability components of CB1 and CB3, which are treated as share-based payment transactions, were stated at fair values. The fair values of the liability components of CB1 and CB3 were calculated by using the Binomial Option Pricing Model and were within level 3 of the fair value hierarchy. The discount rates used to compute the fair values of CB1 and CB3 were 13.31% and 14.12%, respectively.

If the discount rate had 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 for the year ended 31 December 2014. The higher the discount rate, the lower the fair value loss.

(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 |
|--|------------------------|
| Date of issue | 26.10.2010 |
| Maturity date | 31.05.2016 (ii) |
| | HK\$'000 |
| Equity component as at 1 January 2014 and 31 December 2014 | 28,609 |
| Disposal of convertible bonds | (28,609) |
| Equity component as at 31 December 2015 | – |
| Liability component as at 1 January 2014 | 24,393 |
| Interest expense | 2,999 |
| Interest accrued | (922) |
| Liability component as at 31 December 2014 | 26,470 |
| Transferred to the disposal group classified as held for sale | (26,470) |
| Liability component as at 31 December 2014 and 31 December 2015 | – |

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**27 CONVERTIBLE BONDS (Continued)**

Notes:

- (i) 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 bore 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 would be converted into shares at initial conversion price of HK\$0.04, which was 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 had 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 share consolidation on 11 July 2014 and 1 September 2014, respectively. During the year ended 31 December 2015, the conversion price was further adjusted to HK\$0.228 due to the share placement and open offer on 17 February 2015. On 31 March 2015, the Company issued 87,719,298 new ordinary shares upon the exercise of the conversion rights of CB1 by the bondholder.
- (ii) 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 (ii) a shareholder of the Company. CB2.1 and CB2.2 bore 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 could be converted into shares at initial conversion price of HK\$0.123, which was 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 because both the Company and the bondholder expected 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 had 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 share consolidation on 11 July 2014 and 1 September 2014, respectively. CB2.2 included an early redemption option for the Company to redeem the bond, at any time, at par (plus any accrued and unpaid interest). This had been separately accounted for as a financial derivative asset. 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 Group, which mainly operates cemetery business in Mainland China, to Great World Investors Limited (a company wholly-owned by the chairman of the Company) by setting off against two convertible bonds and loan from a Director of HK\$10,000,000. In 2015, in connection with the Disposal Transaction, CB2.2 was disposed of. Refer to Note 22 to the consolidated financial statements for details.
- (iii) 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 was non-interest bearing. CB3 would be converted into shares at initial conversion price of HK\$0.787, which was 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 share consolidation on 11 July 2014 and 1 September 2014, respectively. CB3 provided an early redemption option for AXA to redeem the bond at par when other convertible bonds were redeemed into cash. This had not been separately accounted for as a financial derivative asset or liability as CB3 are recognised at fair value through profit and loss with the early redemption option considered within the liability component of CB3. 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 Group, which mainly operates cemetery business in Mainland China, to Great World Investors Limited (a company wholly-owned by the chairman of the Company) by setting off against two convertible bonds and loan from a Director of HK\$10,000,000. In 2015, CB3 was disposed of. Refer to Note 22 to the consolidated financial statements for details.

Notes to the Consolidated Financial Statements

28 SHARE CAPITAL

| | Numbers of shares | | Amount | |
|--|-------------------|--------------|------------------|------------------|
| | 2015 '000 | 2014 '000 | 2015 HK\$'000 | 2014 HK\$'000 |
| Issued and fully paid: | | | | |
| Ordinary shares of HK\$0.025 each at beginning of the reporting period | 177,629 | 1,517,838 | 4,441 | 3,795 |
| Share consolidation (i) | – | (1,598,659) | – | – |
| Issue of shares upon placement (ii) | 70,000 | 258,450 | 1,750 | 646 |
| Issue of shares upon open offer (ii) | 355,258 | – | 8,881 | – |
| Issue of shares for conversion of CB1 (iii) | 87,719 | – | 2,193 | – |
| Ordinary shares of HK\$0.025 each (2014: HK\$0.025 each) at end of the reporting period | 690,606 | 177,629 | 17,265 | 4,441 |

Notes:

- (i) 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.
- (ii) On 17 February 2015, the Company issued 70,000,000 and 355,257,598 new ordinary shares through a share placement and an open offer to all existing shareholders ("open offer") respectively. The placing price and subscription price was HK\$0.20 per share and represented a discount to the market price of the then existing shares. The net proceeds were approximately HK\$13,570,000 and HK\$69,187,000 through placement of shares and open offer respectively. The new shares ranked pari passu with the then existing share in all aspects. On 11 July 2014, a total of 258,450,000 shares were placed to several independent third parties at a price of HK\$0.044 per placing share. The net proceeds were approximately HK\$11,256,000.
- (iii) On 31 March 2015, the Company issued 87,719,298 new ordinary shares upon the exercise of the conversion rights by the bondholder. The conversion price was HK\$0.228 per share and represented a discount to the market price of the then existing shares.

Notes to the Consolidated Financial Statements**29 SHARE-BASED PAYMENT TRANSACTIONS****(a) Convertible bonds as share-based payment transactions**

As set out in Note 27, 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, year ended 31 December 2014 and date of disposal 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

29 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 2015:

| Name/category of participants | Number of share options | | | | Adjusted outstanding and exercisable as at 31 December 2015 | Date of grant | Exercise period | Adjusted exercise price per share |
|--|---|-------------------------|---------------------------|----------------------------|---|------------------|-------------------------------------|-----------------------------------|
| | Adjusted outstanding as at 1 January 2015 | Granted during the year | Exercised during the year | Lapsed during the year (i) | | | | |
| Category 1: Directors | | | | | | | | |
| Mr. Chui | 1,052,820 | - | - | - | 1,052,820 | 22 March 2011 | 22 March 2011 – 21 March 2021 | HK\$4.175 |
| Mr. Chan Wai Man | 23,927 | - | - | - | 23,927 | 15 February 2008 | 15 February 2008 – 14 February 2018 | HK\$6.892 |
| | 119,638 | - | - | - | 119,638 | 5 December 2011 | 5 December 2011 – 4 December 2021 | HK\$2.372 |
| Mr. Siu Hi Lam, Alick | 119,638 | - | - | - | 119,638 | 5 December 2011 | 5 December 2011 – 4 December 2021 | HK\$2.372 |
| Mr. Law Yee Man, Thomas ("Mr. Law") (note) | 47,854 | - | - | (47,854) | - | 12 August 2011 | 12 August 2011 – 11 August 2021 | HK\$3.661 |
| | 71,782 | - | - | (71,782) | - | 5 December 2011 | 5 December 2011 – 4 December 2021 | HK\$2.372 |
| Sub-total | 1,435,659 | - | - | (119,636) | 1,316,023 | | | |

Note:

Mr. Law resigned on 12 October 2015.

Notes to the Consolidated Financial Statements

29 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 2015 | Date of grant | Exercise period | Adjusted exercise price per share |
|--|---|-------------------------|---------------------------|----------------------------|---|-------------------|---------------------------------------|-----------------------------------|
| | Adjusted outstanding as at 1 January 2015 | Granted during the year | Exercised during the year | Lapsed during the year (i) | | | | |
| Category 2: Employees/consultants | | | | | | | | |
| Employee | 38,284 | – | – | – | 38,284 | 15 February 2008 | 15 February 2008 – 14 February 2018 | HK\$6.892 |
| Employees | 1,387,806 | – | – | (406,772) | 981,034 | 7 July 2010 | 7 July 2010 – 6 July 2020 | HK\$1.784 |
| Employee | 153,137 | – | – | – | 153,137 | 12 August 2010 | 12 August 2010 – 11 August 2020 | HK\$4.912 |
| Employees | 1,028,891 | – | – | (598,193) | 430,698 | 9 September 2010 | 9 September 2010 – 8 September 2020 | HK\$4.791 |
| Employees | 765,686 | – | – | – | 765,686 | 13 September 2010 | 13 September 2010 – 12 September 2020 | HK\$4.474 |
| Employees | 693,903 | – | – | – | 693,903 | 3 December 2010 | 3 December 2010 – 2 December 2020 | HK\$4.455 |
| Employee | 1,196,386 | – | – | – | 1,196,386 | 5 December 2011 | 5 December 2011 – 4 December 2021 | HK\$2.372 |
| Employee | 1,624,311 | – | – | – | 1,624,311 | 18 January 2013 | 18 January 2013 – 17 January 2023 | HK\$1.102 |
| Consultant | 382,843 | – | – | – | 382,843 | 14 December 2007 | 14 December 2007 – 13 December 2017 | HK\$5.846 |
| Consultant | 555,122 | – | – | – | 555,122 | 12 August 2010 | 12 August 2010 – 11 August 2020 | HK\$4.912 |
| Consultant | 135,430 | – | – | – | 135,430 | 6 September 2010 | 6 September 2010 – 5 September 2020 | HK\$4.137 |
| Consultant | 1,052,820 | – | – | – | 1,052,820 | 22 March 2011 | 22 March 2011 – 21 March 2021 | HK\$4.175 |
| Sub-total | 9,014,619 | – | – | (1,004,965) | 8,009,654 | | | |
| Total of all categories | 10,450,278 | – | – | (1,124,601) | 9,325,677 | | | |

Notes to the Consolidated Financial Statements

29 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 (i) | | | | |
| Category 1: Directors | | | | | | | | |
| Mr. Chui | 1,052,820 | - | - | - | 1,052,820 | 22 March 2011 | 22 March 2011 – 21 March 2021 | HK\$4.175 |
| Mr. Kwok Kwan Hung | 38,284 | - | - | - | 38,284 | 15 February 2008 | 15 February 2008 – 14 February 2018 | HK\$6.892 |
| | 119,638 | - | - | - | 119,638 | 7 July 2010 | 7 July 2010 – 6 July 2020 | HK\$1.784 |
| | 153,137 | - | - | - | 153,137 | 12 August 2010 | 12 August 2010 – 11 August 2020 | HK\$4.912 |
| | 454,626 | - | - | - | 454,626 | 3 December 2010 | 3 December 2010 – 2 December 2020 | HK\$4.455 |
| | 1,196,386 | - | - | - | 1,196,386 | 5 December 2011 | 5 December 2011 – 4 December 2021 | HK\$2.372 |
| | 1,624,311 | - | - | - | 1,624,311 | 18 January 2013 | 18 January 2013 – 17 January 2023 | HK\$1.102 |
| Mr. Chan Wai Man | 23,927 | - | - | - | 23,927 | 15 February 2008 | 15 February 2008 – 14 February 2018 | HK\$6.892 |
| | 119,638 | - | - | - | 119,638 | 5 December 2011 | 5 December 2011 – 4 December 2021 | HK\$2.372 |
| Mr. Law Yee Man, Thomas | 47,854 | - | - | - | 47,854 | 12 August 2011 | 12 August 2011 – 11 August 2021 | HK\$3.661 |
| | 71,782 | - | - | - | 71,782 | 5 December 2011 | 5 December 2011 – 4 December 2021 | HK\$2.372 |
| Mr. Siu Hi Lam, Alick | 119,638 | - | - | - | 119,638 | 5 December 2011 | 5 December 2011 – 4 December 2021 | HK\$2.372 |
| Total | 5,022,041 | - | - | - | 5,022,041 | | | |

Notes to the Consolidated Financial Statements

29 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 | | | | | | | | |
| Employees | 1,357,555 | – | – | (89,387) | 1,268,168 | 7 July 2010 | 7 July 2010 – 6 July 2020 | HK\$1.784 |
| Employees | 1,028,891 | – | – | – | 1,028,891 | 9 September 2010 | 9 September 2010 – 8 September 2020 | HK\$4.791 |
| Employees | 765,686 | – | – | – | 765,686 | 13 September 2010 | 13 September 2010 – 12 September 2020 | HK\$4.474 |
| Employees | 596,828 | – | – | (357,551) | 239,277 | 3 December 2010 | 3 December 2010 – 2 December 2020 | HK\$4.455 |
| Consultant | 382,843 | – | – | – | 382,843 | 14 December 2007 | 14 December 2007 – 13 December 2017 | HK\$5.846 |
| Consultant | 555,122 | – | – | – | 555,122 | 12 August 2010 | 12 August 2010 – 11 August 2020 | HK\$4.912 |
| Consultant | 135,430 | – | – | – | 135,430 | 6 September 2010 | 6 September 2010 – 5 September 2020 | HK\$4.137 |
| Consultant | 1,052,820 | – | – | – | 1,052,820 | 22 March 2011 | 22 March 2011 – 21 March 2021 | HK\$4.175 |
| Total | 5,875,175 | – | – | (446,938) | 5,428,237 | | | |
| Total of all categories | 10,897,216 | – | – | (446,938) | 10,450,278 | | | |

Notes:

- (i) The share options lapsed during the year ended 31 December 2014 and 2015 upon the resignation of the director for Category 1 or upon the termination of employment contract for Category 2.

No share options were granted and exercised during the years ended 31 December 2015 and 31 December 2014.

No share option expense was recognised in profit or loss during the year (2014: Nil).

Notes to the Consolidated Financial Statements

30 RESERVES

The amounts of the reserves and the movements therein for the current year and prior years are presented in the consolidated statement of changes in equity on page 33 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

31 FINANCIAL INSTRUMENTS BY CATEGORY

| | Loans and receivables HK\$'000 | Total HK\$'000 |
|------------------------------------|--------------------------------------|-------------------|
| 31 December 2015 | | |
| Assets as per balance sheet | | |
| Deposits and other receivables | 1,960 | 1,960 |
| Restricted cash | 316 | 316 |
| Cash and cash equivalents | 34,657 | 34,657 |
| Total | 36,933 | 36,933 |

| | Other financial liabilities at amortised cost HK\$'000 | Total HK\$'000 |
|---|---|-------------------|
| Liabilities as per balance sheet | | |
| Trade and other payables | 9,991 | 9,991 |
| Total | 9,991 | 9,991 |

Notes to the Consolidated Financial Statements

31 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

| | Loans and receivables HK\$'000 | Total HK\$'000 |
|------------------------------------|--------------------------------------|-------------------|
| 31 December 2014 | | |
| Assets as per balance sheet | | |
| Deposits and other receivables | 883 | 883 |
| Restricted cash | 306 | 306 |
| Cash and cash equivalents | 5,591 | 5,591 |
| Total | 6,780 | 6,780 |

| | Liabilities at fair value through the profit and loss HK\$'000 | Other financial liabilities at amortised cost HK\$'000 | Total HK\$'000 |
|---|--|---|-------------------|
| Liabilities as per balance sheet | | | |
| Other borrowings | – | 42,000 | 42,000 |
| Convertible bonds measured as share-based payment transactions | 19,617 | – | 19,617 |
| Trade and other payables | – | 5,046 | 5,046 |
| Total | 19,617 | 47,046 | 66,663 |

Notes to the Consolidated Financial Statements

32 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 (2014: 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:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Within one year | 465 | 1,260 |
| In the second to fifth years inclusive | 220 | 685 |
| | 685 | 1,945 |

33 CAPITAL COMMITMENTS

As at 31 December 2015 and 31 December 2014, the Group did not have any capital commitments.

34 RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 6(b), 22(a), 24 and 26 in the consolidated financial statements, the Group had entered into the following significant related party transactions during the year:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Rent paid to a company owned by a director | 900 | 900 |
| Interest paid to a company owned by a director | 75 | 300 |
| Interest paid to a director | 205 | 2,569 |
| Interest paid to a non-controlling interest | – | 923 |
| Management fee paid to a non-controlling interest | – | 900 |
| Management fee paid to a company owned by a director (Note 10(e)) | 1,047 | – |

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.

Notes to the Consolidated Financial Statements

34 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Compensation to key management personnel

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

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---------------------|------------------|------------------|
| Short-term benefits | 1,569 | 2,938 |

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 6, 20, 24 and 26 to the consolidated financial statements.

35 EVENTS AFTER THE REPORTING PERIOD

One of the subsidiaries of the Group entered into an agreement with an independent third party to co-invest in an event where the Group is committed to invest in an amount of HK\$3,874,000.

Notes to the Consolidated Financial Statements

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Statement of Financial Position of the Company

As at 31 December 2015

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Assets | | |
| Non-current assets | | |
| Investments in subsidiaries | – | 78 |
| Amounts due from subsidiaries | 24,754 | 48,332 |
| | 24,754 | 48,410 |
| Current assets | | |
| Other receivables (Note 20(i)) | 1,500 | – |
| Cash and cash equivalents | 30,120 | 2,827 |
| | 31,620 | 2,827 |
| Assets of disposal group classified as held-for-sale | – | 136,757 |
| | 31,620 | 139,584 |
| Total assets | 56,374 | 187,994 |
| Liabilities | | |
| Current liabilities | | |
| Other payables and accruals | 2,024 | 16,498 |
| | 2,024 | 16,498 |
| Liabilities of disposal group classified as held-for-sale | – | 152,489 |
| | 2,024 | 168,987 |

Notes to the Consolidated Financial Statements

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)***Statement of Financial Position of the Company** *(Continued)**As at 31 December 2015*

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Non-current liabilities | | |
| Other borrowings | – | 32,000 |
| | – | 32,000 |
| Total liabilities | 2,024 | 200,987 |
| Net current assets/(liabilities) | 29,596 | (29,403) |
| Net assets/(liabilities) | 54,350 | (12,993) |
| Equity | | |
| Capital and reserves | | |
| Share capital | 17,265 | 4,441 |
| Accumulated losses (Note (a)) | (248,877) | (428,471) |
| Other reserves (Note (a)) | 285,962 | 411,037 |
| | 54,350 | (12,993) |

The balance sheet of the Company was approved by the Board of Directors on 23 March 2016 and was signed on its behalf

Chui Bing Sun
Director

Dong Choi Chi, Alex
Director

Notes to the Consolidated Financial Statements

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the Company

| | Share premium HK\$'000 | Contributed surplus HK\$'000 | Share- based payment reserve HK\$'000 (Note 29) | Warrant shares reserve HK\$'000 | Convertible bonds equity reserve HK\$'000 (Note 27) | Accumulated losses HK\$'000 | Total HK\$'000 |
|--|------------------------------|------------------------------------|--|--|--|-----------------------------------|-------------------|
| At 1 January 2014 | 117,577 | 31,713 | 222,528 | 8,495 | 28,609 | (308,208) | 100,714 |
| 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 | 10,610 | – | – | – | – | – | 10,610 |
| At 31 December 2014 | 128,187 | 31,713 | 222,528 | – | 28,609 | (428,471) | (17,434) |
| At 1 January 2015 | 128,187 | 31,713 | 222,528 | – | 28,609 | (428,471) | (17,434) |
| Loss for the year | – | – | – | – | – | (35,414) | (35,414) |
| Issue of shares upon placement | 11,820 | – | – | – | – | – | 11,820 |
| Issue of shares upon open offer | 60,306 | – | – | – | – | – | 60,306 |
| Issue of shares for conversion of convertible bond | 39,596 | – | (21,789) | – | – | – | 17,807 |
| Settlement of convertible bonds upon disposal of subsidiaries | – | – | (186,399) | – | (28,609) | 215,008 | – |
| At 31 December 2015 | 239,909 | 31,713 | 14,340 | – | – | (248,877) | 37,085 |

Five Years Financial Highlights

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

| | 31 December 2015 HK\$'000 | 31 December 2014 HK\$'000 | 31 December 2013 HK\$'000 | 31 December 2012 HK\$'000 | 31 December 2011 HK\$'000 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Revenue | 20,004 | 43,080 | 39,427 | 9,732 | 7,423 |
| Loss attributable to owners of the Company | (21,336) | (60,436) | (130,332) | (45,327) | (182,474) |
| Total assets | 60,408 | 477,770 | 490,873 | 285,507 | 265,805 |
| Total liabilities | (15,460) | (343,749) | (302,871) | (126,630) | (115,700) |
| Net assets | 44,948 | 134,021 | 188,002 | 158,877 | 150,105 |

Notes:

- (i) The results and assets and liabilities of the Group for the year ended 31 December 2015 have been extracted from the consolidated income statement and consolidated statement of financial position as set out on pages 28 to 29 and 31 to 32 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.