



# Sage International Group Limited

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



**Annual Report 2017**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange, Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

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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 GEM 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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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Dong Choi Chi, Alex  
Mr. Chui Bing Sun (Chairman) (resigned on 19 March 2018)

## 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. Dong Choi Chi, Alex (appointed on 19 March 2018)  
Mr. Chui Bing Sun (resigned on 19 March 2018)

## AUDIT COMMITTEE

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

## NOMINATION COMMITTEE

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

## REMUNERATION COMMITTEE

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

## RISK MANAGEMENT COMMITTEE

Mr. Ting Kit Lun (Chairman)  
Mr. Jip Ki Chi  
Mr. Chui Bing Sun (resigned on 19 March 2018)

## AUTHORISED REPRESENTATIVES

Mr. Dong Choi Chi, Alex (appointed on 19 March 2018)  
Mr. Jip Ki Chi  
Mr. Chui Bing Sun (resigned on 19 March 2018)

## AUDITOR

Ernst & Young

## SOLICITOR

Michael Li & Co.

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11 Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

10th Floor, Fun Tower  
35 Hung To Road  
Kwun Tong, Kowloon  
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

DBS Bank (Hong Kong) Limited

## STOCK CODE

8082

## CONTACT INFORMATION

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# Executive Director's Statement

I am pleased to present the Group's annual report for the financial year ended 31 December 2017.

Sage International Group Limited (the "Company", together with its subsidiaries, the "Group") started in the second half of 2016 to diversify its business to cover the media and entertainment market and the year under review was a start-up and investment period for the Group which made good progress in year 2017. The Group's turnover achieved a remarkable value of approximately HK\$94.5 million, which was 480.20% higher than last year corresponding value of approximately HK\$16.3 million. The increase was mainly contributed by the media and entertainment segment which contributed around 83.92% of the total revenue of the year. The segment also recorded a segment gain of approximately HK\$1.5 million (compared with last year segment loss of approximately HK\$3.8 million). During the year, the Group actively looked for opportunities to organise the 《A CLASSIC TOUR 學友 • 經典》 concert and invest in a number of concerts including 《林憶蓮 〈PRANAVA〉 世界巡迴演唱會2017 ENCORE 場—香港站》 which generated majority of the Group revenue. For film investment, the Group had acquired 20% of the right of Distribution Net Income (as defined in the investment agreement) of the film "Paradox" which has achieved over RMB500 million box office in the Mainland China, and recently, the main actor in the film, Mr. Louis Koo Tin Lok, has been awarded the Best Actor in both the Asian Film Awards and Hong Kong Film Directors' Guild.

On 23 January 2018, Heading Champion Limited (the "Offeror") and the Company jointly announce that Sun International Securities Limited will, on behalf of the Offeror, make voluntary conditional cash offers ("the Offers") and the Offers were declared unconditional in all respects on 5 March 2018 and subsequently closed on 19 March 2018. For details of the Offers, please refer to the announcements and composite document dated 23 January 2018, 13 February 2018, 5 March 2018 and 19 March 2018. Upon the completion of the Offers, the Offeror became the single largest shareholder of the Company. It is believed that the Group would be able to leverage on Mr. Cheng and Mr. Chau's extensive commercial network and to promote and support the Group's existing business and/or able to procure investors with solid background and experience.

## PROSPECTS

The growing momentum of the media and entertainment industry in Mainland China is robust in recent years. Mainland China's movie box office revenue rose 13.45% in 2017 to more than 55.9 billion yuan (8.6 billion U.S. dollars), according to the State Administration of Press, Publication, Radio, Film and Television (SAPPRFT). The Group is optimistic about the industry, particularly the film, musical, drama, online TV drama/movie, live shows and related intellectual property ("IP") trading sectors/sub-sectors. Targeting at the enormous yet growing Mainland China market, we endeavor to strengthen the Group's integrated media platform with an aim to provide valuable and competitive products and to enhance our market position, and we will continue to explore strategic alliance as well as investment opportunities to enrich our portfolio, broaden our income streams and bring attractive value for our shareholders.

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.

**Dong Choi Chi, Alex**

*Executive Director*

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2017, the total revenue of the Group (which mainly arising from funeral services and media and entertainment businesses) was approximately HK\$94,497,000 which was 480.20% higher than the corresponding period of last year of approximately HK\$16,287,000. The increase was mainly due to the revenue generated from the 《A CLASSIC TOUR 學友•經典》 concert.

### Other income and gains

Other income and gains increased from approximately HK\$5,173,000 to approximately HK\$5,277,000.

### Selling, marketing and distribution expenses

Selling, marketing and distribution expenses for the year ended 31 December 2017 was approximately HK\$7,168,000, being 7.59% of total revenue, representing an increase of approximately HK\$3,230,000, as compared with the amount for the corresponding period of last year of approximately HK\$3,938,000, being 24.18% of total revenue.

### General and administrative expenses

General and administrative expenses for the year ended 31 December 2017 amounted to approximately HK\$24,820,000 which was 14.85% lower than the amount for the corresponding period of last year of approximately HK\$29,147,000. The decrease was primarily attributable to an one off non-cash share-based payment of approximately HK\$3,001,000 in relation to shares issued to Keith Productions Limited recorded in last year.

### Other expenses

Other expenses mainly consists of co-investors' share of net income from a concert organised by the Group and an one off non-cash share-based payment expense of approximately HK\$12,202,000.

### Loss for the year

The Group's loss for the year was approximately HK\$19,909,000 (year ended 2016: HK\$18,214,000). If the non-cash share-based payment of approximately HK\$12,202,000 was taken out, the Group's loss for the year would reduce to approximately HK\$7,707,000.

### Net assets

Net assets of the Group as of 31 December 2017 amounted to approximately HK\$94,291,000 as compared to approximately HK\$48,361,000 as of 31 December 2016. The increase was mainly attributable to (i) net proceeds arising from placing of 165,000,000 new ordinary shares of the Company at a placing price of HK\$0.16 amounted to approximately HK\$25.5 million net of expenses and (ii) the Group acquired 20% of the income right of the film 《貪狼》 Paradox at fair value of approximately HK\$27.3 million.

## OPERATION REVIEW

### OPERATION REVIEW – HONG KONG *Funeral services*

During the year ended 31 December 2017, the Group's Hong Kong funeral services recorded a total revenue of approximately HK\$5,841,000 which was 25.72% lower than that of the corresponding period of approximately HK\$7,864,000 in 2016. During the year, revenues were mainly generated from sales of funeral packages, provision of management service and sales of the EGEM products, which transforms the cremated ash into durable memorial gem stone.

The revenue from sales of funeral packages for the year ended 31 December 2017 was approximately HK\$1,890,000, which was 40.75% lower than that of the corresponding period of last year of approximately HK\$3,190,000. The revenue from provision of management service for the year ended 31 December 2017 was approximately HK\$2,700,000, which was 50% higher than that of the corresponding period of last year of approximately HK\$1,800,000. The revenue from sales of the eternity gem products decreased 56.47% to approximately HK\$1,251,000 as compared with that of the corresponding period of last year of approximately HK\$2,874,000. The decrease was mainly due to only approximately six months' revenue was recorded in the current year, which was due to the fact that the company operating the EGEM business was disposed of on 7 July 2017.

### *Media and entertainment business*

During the year ended 31 December 2017, the total revenue from media and entertainment business was approximately HK\$79,306,000, which mainly comprised of concert organisation income, artiste performance and management income, and sponsorship and marketing related income. The operating segment of media and entertainment business has just started in the mid of 2016 and it recorded a segment loss of approximately HK\$3,836,000. For year ended 31 December 2017, the segment recorded a segment profit of approximately HK\$1,513,000, which was mainly achieved by organising the 《A CLASSIC TOUR 學友•經典》 concert and investing in a number of concerts including 《林憶蓮 <PRANAVA> 世界巡迴演唱會2017 ENCORE場—香港站》.

### OPERATION REVIEW – MAINLAND CHINA *Funeral services and crematorium*

#### *Huaiji funeral parlour*

Cremation business operation in Huaiji was performing steadily during the year ended 31 December 2017 and its total revenue for the year was approximately HK\$9,350,000, which was 10.69% higher than that of the corresponding period of last year of approximately HK\$8,447,000. The reason for the increase in revenue was mainly due to an increase in selling price of funeral services.

## Management Discussion and Analysis

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had cash and cash equivalents of approximately HK\$28,977,000 (as at 31 December 2016: HK\$22,615,000) and the total assets of the Group were HK\$115,159,000 (as at 31 December 2016: HK\$65,927,000). As at 31 December 2017, the net current assets of the Group were approximately HK\$63,138,000 (as at 31 December 2016: HK\$15,765,000) and the Group's current ratio, which represents current assets over its current liabilities, was approximately 5.25 times (as at 31 December 2016: 2.23 times). The gearing ratio of the Group as at 31 December 2017 (calculated as total liabilities of HK\$20,868,000 over equity attributable to owners of the Company of HK\$87,430,000) was 23.87% (as at 31 December 2016: 42.34%).

### PLACING OF NEW SHARES

On 8 March 2017, the Company entered into a placing agreement with a placing agent, pursuant to which, the placing agent agreed to place, on a best efforts basis, the placing shares comprising in aggregate 165,000,000 new ordinary shares of the Company at a placing price of HK\$0.16 per placing share on behalf of the Company to not fewer than six placees who and whose ultimate beneficial owners are independent third parties. The placing was subject to the conditions set out in the placing agreement. On 24 March 2017, 165,000,000 placing shares were allotted and issued by the Company pursuant to the placing agreement.

The net proceeds arising from the placing amounted to approximately HK\$25.5 million net of expenses, which were used to develop the media and entertainment operating segment.

For further details of the share placing, please refer to the Company's announcements dated 8 March 2017 and 24 March 2017.

### INVESTMENT POSITION AND PLANNING

The Group will continuously undertake researches and identify potential deathcare related and media and entertainment business investment opportunities to enhance its business portfolio.

### INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

On 24 January 2017, Sunny Side Up (BVI) Limited ("Sunny Side Up"), a wholly-owned subsidiary of the Company entered into an investment agreement with Sun Entertainment Films Limited ("Sun Entertainment"), a company that is wholly and beneficiary owned by Mr. Dong Choi Chi, Alex, an executive Director and a substantial shareholder of the Company. The investment agreement was completed on 25 July 2017 which the Company issued 164,192,312 new shares of the Company to Sun Entertainment and acquired 20% of the right of Distributable Distribution Net Income (as defined in the investment agreement) of the film 《貪狼》 Paradox. For further details of the investment, please refer to an announcement and circular of the Company dated 24 January 2017 and 29 June 2017, respectively.

On 27 June 2017, Sage Funeral Services Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with Konnection Global Ltd. to dispose of the entire issued share capital of and the loan to Sage Eternity Gem Services Limited for a cash consideration of HK\$3,000,000. The disposal was completed on 7 July 2017. Further details of the disposal is disclosed in the announcements of the Company dated 27 June 2017 and 7 July 2017.

Save as disclosed above and the investment in a film right in the prior year and the investments in several concert production projects in the current year in the ordinary course of business of the Group, there were no other significant investments held, and no material acquisitions or disposals of subsidiaries during the year.

### CURRENCY RISK EXPOSURE

The Group has certain operations in Mainland China, whose net assets might be 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 has no material exposure to foreign currency risk as the majority of the Group's assets of its operating units are denominated in their respective functional currency of either Hong Kong Dollars or Renminbi.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had 66 employees and including Directors (31 December 2016: 61). Total staff costs for the year ended 31 December 2017, including Directors' remuneration, amounted to approximately HK\$10,110,000 (year ended 31 December 2016: approximately HK\$11,150,000). The Group's employee remuneration packages are mainly determined on the basis of individual performance and experience and also having industry practice, which include basic wages and performance related bonuses. The Group also provides provident fund schemes and medical insurance scheme for its employees. The Company also grants share options to the Directors and eligible employees. Details of the share options schemes are set out in note 26 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 2017.



# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

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 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.

During the year ended 31 December 2017, the Company has complied with all the code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 15 to the Listing of Securities on the GEM Listing Rules except for the deviations from the Code provisions A.2.1 and A.2.7, details of which are set out in the sections headed “Chairman and Chief Executive Officer” and “Attendance of Individual Directors and Senior Management” respectively in this Corporate Governance Report.

## DIRECTORS’ SECURITIES TRANSACTIONS

### Securities transactions by Directors

The Company has established written guidelines for the required standard of dealings in securities by directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Required Standard of Dealings”). Having made specific enquiries of all Directors, the Directors confirmed that they have fully complied with the requirements under the Required Standard of Dealings and there was no event of non-compliance during the year ended 31 December 2017. However, one non-compliance incident was noted after the year end, where the composite document in relation to the conditional voluntary cash offers by Sun International Securities Limited for and on behalf of Heading Champion Limited, a company which is owned as to 40% by Mr. Dong Choi Chi, Alex (an executive Director), for all the issued shares of the Company (other than those already owned by it and the parties acting in concert with it) and for the cancellation of all the outstanding options of the Company was despatched on 13 February 2018 during the Company’s black-out period. The despatch of the composite document constituted a “dealing” and thus the despatch of the same during the black-out period constituted a deviation from the requirements under the Required Standard of Dealings.

The Company has paid due regard to the aforementioned non-compliance and in order to prevent the occurrence of similar incidents, the management of the Company has immediately taken steps to remind all Directors of the dealing restrictions during the black-out period as well as the requirements under the Required Standard of Dealings and the relevant FAQs published by the Stock Exchange from time to time. In addition, the Company will organise, and all Directors and the company secretary of the Company, have committed to attend, a training to be conducted by a professional law firm, covering the requirements and procedures under the Required Standard of Dealings to reinforce the Directors’ and the company secretary’s knowledge and awareness of the requirements and restrictions regarding dealings of shares by directors.

## THE BOARD

As at the date of this report, the Board comprises one executive Director 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, remuneration and risk management committees of the Company. None of the members of the Board is related to one another. For the year ended 31 December 2017, 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.

## CHANGE IN INFORMATION OF DIRECTOR(S)

On 1 December 2017, Mr. Yao Kan Shan has resigned as an executive Director, a member of nomination committee and the chairman of risk management committee. With effect from 1 December 2017, Mr. Ting Kit Lun, an independent non-executive Director, has been appointed as the chairman of the risk management committee.

On 19 March 2018, Mr. Chui Bing Sun resigned from his office as an executive Director, the chairman of the Board, chief executive officer (“CEO”) and a member of risk management committee of the Company. Mr. Chui Bing Sun also ceased to be the compliance officer and an authorized representative of the Company.

Following the resignation of Mr. Chui Bing Sun, Mr. Dong Choi Chi, Alex, an executive Director, has redesignated as a compliance officer and an authorized representative of the Company with effect from 19 March 2018.



## Corporate Governance Report

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the code provision A.2.1 of the CG Code, the roles of the chairman and CEO should be separate and should not be performed by the same individual.

During the year ended 31 December 2017, Mr. Chui Bing Sun was the chairman of the Board and the CEO of the Company. The Board then considered that such structure would not impair the balance of power and authority of the Board, which comprised experienced and high caliber individuals and met regularly to discuss issues affecting the operations of the Company. Following the resignation of Mr. Chui Bing Sun as an executive Director, the chairman of the Board, CEO, a member of the risk management committee, a compliance officer and an authorized representative of the Company on 19 March 2018, decisions of the Company are made by the executive Director, Mr. Dong Choi Chi, Alex who are focused on evaluating new potential business and investment opportunities and formulating and implementing business strategies to enhance the revenue and growth potential of the Company. Hence, a new chairman and CEO will not be appointed until suitable candidates have been identified for such purpose.

In order to discharge the duties, all Directors are entitled to seek independent professional advice, if necessary, at the Company's expense and Directors and Officers Liability Insurance cover was arranged and subject to annual review. The overall management of the Company's business is vested in the Board. The Board is responsible for overseeing all major matters of the Company which include formulating and approving the Company's operational strategies, management policies, internal control and risk management systems, reviewing the Company's policies and practices on corporate governance, setting the objectives and targets with a view to enhance the Shareholders' value for the management, monitoring performance of the management and providing guidance to the management. The Directors have to make decisions objectively in the interests of the Company. The Board is accountable to the Shareholders, in a responsible and effective manner leading the Company. The day-to-day management, administration and operation of the Company are delegated to the senior management of the Company which includes evaluating businesses and operational performance, ensuring effective implementation of the Board's decisions, ensuring adequate funding and monitoring performance of the management of the Company. The senior management of the Company is being closely monitored by the Board and is accountable for the performance of the Company as measured against the business targets and management directions set by the Board.

### BOARD COMMITTEE

The Board delegates its power and authorities from time to time to the Board Committees in order to ensure the operational efficiency and specific issues are being handled by relevant expert. The Board currently has four Board Committees, namely, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee with respective terms of reference which clearly defined its authorities and duties. The terms of reference of Audit Committee, Remuneration Committee and Nomination Committee are available on the website of each of the Stock Exchange and the Company.

The chairman of the Board Committees reports regularly to the Board of their work, findings and recommendations. All Board Committees are provided with accurate and sufficient information in timely manner so as to enable the Board Committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties and may have access to external professional advice, if necessary, at the Company's expense.

## Corporate Governance Report

## AUDIT COMMITTEE

## Members

**Three independent non-executive Directors, namely Mr. Chan Wai Man (committee chairman), Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun**

## Major responsibilities

- reviewing the accounting policies and supervising the Company's financial reporting process;
- reviewing and monitoring the integrity of consolidated financial statements and the annual report, interim report and quarterly reports;
- monitoring the effectiveness of financial controls, internal control and risk management systems;
- considering and recommending the appointment, re-appointment and removal of external auditor of the Company; and
- acting as the key representative body responsible to oversee the relationship between the Company and the external auditor, include the relationships involving the provision of non-audit services.

## Major work performed during the year 2017

- reviewing and making recommendations for the Group's annual, interim and quarterly financial statements and the related results announcements;
- reviewing the report of external auditor;
- reviewing the effectiveness of risk management and internal control system;
- reviewing external audit planning for the year ended 31 December 2017;
- discussing the audit findings with external auditor and the related management responses;
- making recommendations to the Board, subject to the Shareholders' approval at the 2017 annual general meeting, the appointment of external auditor of the Company;
- reviewing of the development in accounting standards and its effects on the Group, and financial reporting matters;
- reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training program and budget; and
- reviewing the Company's compliance with CG Code and disclosure in the Corporate Governance Report.

## NOMINATION COMMITTEE

### Members

**Current members: Three independent non-executive Directors, namely Mr. Ting Kit Lun (committee chairman), Mr. Chan Wai Man and Mr. Siu Hi Lam, Alick**

#### Major responsibilities

- reviewing the structure, size, and composition of the Board;
- formulating policies and making recommendations to the Board on nominations, appointment of Directors and Board succession;
- assessing the independence of the independent non-executive Directors; and
- monitoring the annual checks and assessing the members of the Board, including the suitability and the sufficiency of time commitment of non-executive Directors.

#### Major work performed during the year 2017

- conducting a review of the Board diversity, assessing the independence of the independent non-executive Directors and the contributions of the Board members and recommending the submission of the proposal on Directors' re-election at the forthcoming 2017 annual general meeting

## REMUNERATION COMMITTEE

### Members

**Three independent non-executive Directors, namely Mr. Siu Hi Lam, Alick (committee chairman), Mr. Chan Wai Man and Mr. Ting Kit Lun**

#### Major responsibilities

- making recommendation to the Board on the Company's policies and structure for the remuneration of the directors and senior management;
- determining the remuneration packages of all executive Directors and senior management; and
- ensuring the remuneration offered to the Directors and senior management of the Company is appropriate for the duties and in line with market practice.

#### Major work performed during the year 2017

- reviewing and approving performance-based remuneration of all executive Directors and senior management;
- ensuring that no Director or any of his associates is involved in deciding his own remuneration; and
- ensuring the existing terms of employment of all executive Directors and appointment letters of independent non-executive Directors of the Company are fair and reasonable.



## Corporate Governance Report

## RISK MANAGEMENT COMMITTEE

<b>Members</b>	<b>Current members: An independent non-executive Director, namely Mr. Ting Kit Lun (committee chairman), an executive Director, namely Mr. Chui Bing Sun, and the Chief Financial Officer, namely Mr. Jip Ki Chi</b>
Major responsibilities	<ul style="list-style-type: none"> <li>• reviewing and assessing the effectiveness of the Group's risk management framework; and</li> <li>• monitoring the effectiveness of the risk management framework to identify and deal with risks faced by the Company including operational, regulatory and financial risks etc.</li> </ul>
Major work performed during the year 2017	<ul style="list-style-type: none"> <li>• reviewing and assessing the effectiveness of the Group's risk management system;</li> <li>• making recommendation to redesign the framework to enhance the risk management across business operation comprehensively;</li> <li>• reviewing and evaluating the major investment projects; and</li> <li>• ensuring the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting functions.</li> </ul>

## BOARD MEETING

The Board regularly meets in person to discuss and formulate overall strategic direction and objectives and also approve annual, interim and quarterly results as well as other significant matters of the Company. Execution of daily operational matters is delegated to management.

The Company Secretary assists the 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

## ATTENDANCE OF INDIVIDUAL DIRECTORS AND SENIOR MANAGEMENT

Details of Directors' and senior managements' attendance at the Board meetings, meetings of Board committees and general meetings held in 2017 are set out in the following table:

Name of Directors	Attendance/Number of meetings					
	Board Meeting (Note)	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting	Risk Management Committee Meeting	General Meeting
<b>Executive Directors</b>						
Mr. Chui Bing Sun (Chairman)	6/9	N/A	N/A	N/A	N/A	1/2
Mr. Dong Choi Chi, Alex	4/9	N/A	N/A	N/A	N/A	2/2
Mr. Yao Kan Shan	9/9	N/A	1/1	N/A	1/1	2/2
<b>Independent non-executive Directors</b>						
Mr. Chan Wai Man	8/9	1/1	1/1	6/6	N/A	2/2
Mr. Siu Hi Lam, Alick	9/9	1/1	1/1	6/6	N/A	2/2
Mr. Ting Kit Lun	8/9	1/1	1/1	6/6	1/1	2/2
<b>Chief financial officer</b>						
Mr. Jip Ki Chi	N/A	N/A	N/A	N/A	1/1	N/A

Note 1: Under CG Code provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors, including independent non-executive directors, without the executive directors present. In 2017, the Chairman did not hold meetings with the independent non-executive Directors without the executive Director present, which deviates from Code provision A.2.7. However, in each Board meeting, the chairman of the meetings would ensure that all Directors were able to make a full and active contribution to the Board's affairs and encourage all Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that the Board decisions fairly reflect Board consensus.

## AUDITOR'S REMUNERATION

During the year ended 31 December 2017, remuneration in respect of audit and non-audit services provided by the existing auditor of the Company to the Group are approximately HK\$1,900,000 (2016: HK\$1,300,000) and HK\$40,000 (2016: HK\$ nil) respectively.

## REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the member of the senior management by band for the year ended 31 December 2017 is set out below:

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

Further particulars regarding the five highest paid employees and Directors' remuneration are set out in notes 8 and 7 to the financial statements, respectively.

## 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 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.

### BOARD DIVERSITY

The Company has formulated the board diversity policy aiming at setting out the approach on diversity of the Board of the Company. The Company believes that a diversity of perspectives can be achieved through consideration of a number of aspects, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. Board appointments will be made on merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. There is no financial, business, family or other material/relevant relationships between Board members.

The Nomination Committee is responsible for monitoring and reviewing the implementation of the Board Diversity Policy to ensure its effectiveness and recommending any revisions of the policy to the Board for consideration and approval.

### DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING AND DISCLOSURES

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

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other statutory and regulatory requirements. The Directors are responsible for the preparation of the consolidated financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the annual, interim and quarterly results of the Company for the year ended 31 December 2017 the Directors have adopted suitable accounting policies and applied them consistently.

The responsibility of the auditor with respect to these consolidated financial statements is set out in the Independent Auditor's Report on pages 45 to 50 of this Annual Report.

The Company is committed to ensuring compliance with regulatory requirements under the GEM Listing Rules, applicable laws and regulations in handling connected transactions. Accordingly, the Company implemented various internal control mechanisms to capture and monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the independent shareholders in accordance with the GEM Listing Rules. The connected persons will be required to abstain from voting in the general meetings. Details of the connected transactions of the Company during the year are set out in the "Directors' Report" 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 2017.

## 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.

The Directors confirmed that they have complied with the Code Provision A.6.5 of the CG Code on Directors' training. During the year, each Director had participated in continuous professional development by attending seminars/workshop or by reading materials on the followings topics to update and develop their knowledge and skills and provided a record of training to the Company:

Name of Directors	Topics on training covered (Notes)
Mr. Chui Bing Sun	CG, R, F
Mr. Dong Choi Chi, Alex	CG, R, I, F
Mr. Yao Kan Shan (resigned on 1 December 2017)	CG, R, I, F
Mr. Chan Wai Man	CG, R, I, F
Mr. Siu Hi Lam, Alick	CG, R, I, F
Mr. Ting Kit Lun	CG, R, I, F

Notes:

CG:	Corporate Governance
F:	Finance
I:	Industry-specific
R:	Regulatory

## RISK MANAGEMENT AND INTERNAL CONTROL

### Responsibility

The Group believes that risk management is not a sole responsibility of the Board, but everyone within the Group. It aims to develop risk awareness and control responsibility as our culture and the foundation of our internal controls system. The internal controls system applies to the Group's critical business processes including investment decisions and day-to-day operations.

At the same time, the Board had overall responsibility for the Group's risk management and internal control systems, which includes the establishment of a defined management structure with specified limits of authority. The system is designed to help the achievement of business objectives of the Group, effectiveness and efficiency of the operation; reliability of financial reporting; and compliance with applicable laws and regulations. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

### Framework and Approach

The Board, through audit committee and risk management committee had conducted a review of the effectiveness of the Group's risk management and internal control systems. Considered that the Group had diversified its business into media and entertainment, the Board had redesigned the risk management framework that is applicable to the Group comprehensively. Currently, the Group had set up three lines of defence in risk management and internal control instead of Committee of Sponsoring Organisations framework adopted in prior year. At the first line of defence, business units are responsible for identifying, assessing and monitoring risk associated with each business or transaction. The management, as the second line of defence, defines rule sets and models, provide technical support and oversees portfolio management. As the final line of defence, the Group internal audit assists the Audit Committee and Risk Management Committee to review the first and second lines of defence.

### Risk Management Process

The Group seeks to have risk management features embedded in the day-to-day operations. The Group's Risk Management Committee is specifically responsible for the establishment and maintenance of a comprehensive risk management system. Through the implementation of systematic risk management framework and policy, the Group can persistently and thoroughly identify, assess and mitigate the key risks faced by the Group. In addition, the committee is also responsible for the risk analysis of new investment projects, so as to ensure that the risks of new investment projects can be properly controlled and the expected benefits and returns can be achieved.

## Corporate Governance Report

During the year, with the combination of both top-down and bottom-up risk assessment approaches, through the organization of risk interviews with top management and senior executives, the key risks faced by the Group have been identified and the relevant risk mitigation actions and responsibilities have been preliminarily assigned.

### Major risk factors and measures

#### (I) *Deathcare services and related business*

##### Compliance risk

Today, the Group's cremation services operate in PRC and Hong Kong face with more air quality regulations than ever before, and the number of regulations that are passed increase with complexity each year. Regulatory compliance risk management or control is critical and therefore be a key attention area of the Group.

##### Risk responses

- training staff on the basics of environmental regulations and keeping eyes out for new regulations or changes to existing ones;
- acquiring new equipment to retrofit existing equipment to meet air emission limits, ensuring the air pollution impact on the neighbours due to operation of the cremators will be minimal;
- monitoring equipment to be used shall meet the specifications specified by the Authority. It shall be maintained and calibrated according to the manufacturer's recommendations;
- operating staff shall be properly trained in their duties relating to control of the process and emissions to air. Particular emphasis on training for start-up, shut down and abnormal conditions;
- assuming of malfunctioning and breakdown of the process or air pollution control equipment which would cause exceed of the emission limits or breaches of other air pollution control requirements, the incident shall be reported to the Authority immediately without delay;
- carrying out hazard and safety inspections on each operating unit regularly and gathering records in preparation for environmental compliance reports.

##### Procurement risk

- Procurement risk mainly occurs in the process of selection of cremator supplier, particularly in procurement operations of Huai Ji Luck Mountain Funeral Parlor Limited ("Huai Ji Funeral"). Conditions of cremator fails to meet the specification designated by the Authority would result in significant impact on the operation of the business.

##### Risk responses

- In order to regulate the procurement operations, Huai Ji Funeral implemented various measures to minimize the procurement risk so as to standardise the procurement procedure and strengthen the management measures. The suppliers are requested to provide monitoring report certified by the State Environmental Protection Department of each new acquiring cremator. As such, it can ensure the cremator satisfy with the constraints condition and regulation. The procurement department could mitigate the risk of acquired unqualified equipment involving significant amounts which can improve and optimize the efficiency of procurement management.

#### (II) *Media and entertainment business*

##### Industry risk

Media and entertainment industry are fragmented and highly competitive. The Group's film, concert and other project investment involves many uncertainties which include projects selection, schedule of release, rates of return etc. Today, audience are rising on demand for the high-quality and innovative content of film and other forms of entertainment as ever. Hence, there is no assurance that the Group can sustain its competitiveness successfully in the business.

##### Risk responses

- Controlling the exposure to investment risks by reducing the percentage and absolute value of investment in individual project;
- Keeping an open mind to look for any other potential investment activities which can bring the Group a new income stream;
- Reviewing and updating the business strategies plan regularly to cope with the competition in the industry.

## Corporate Governance Report

### Strategic risk

The return on the Group's film and concert investment, production and promotion cannot be predicted with certainty. It depends primarily on the audience acceptance and popularity of the films and artiste. There is no assurance of the economic success on those investment. If the Group does not accurately judge audience acceptance of a film or concert in selecting the project it invests in, the Group may not recoup its costs or realise its anticipated profits.

### Risk responses

- Diversifying risk through co-produce, co-invest or co-partner with its business associates;
- Keeping eyes on the changes in market trend, mainstream social values, need and preference of the audience; and
- Keeping cautions in selection of content of films and scripts.

### Regulatory risk

Today, a number of strict rules and regulations apply to film and other media industries. If the planned film or concert fails to obtain certain licenses, the Group will be susceptible to the loss of investment; and if the Group fails to comply with the relevant rules and regulations, the Group will be confronted with the risk of penalties, suspension of business activity, which would have adverse effect on the Group's financial, operations and reputation. Therefore, regulatory risk management is also key attention area of the Group.

### Risk responses

- Conducting internal assessment by management for regulatory matters involved which the Group ensures compliance with regulatory requirement in business matters;
- Keeping eyes out for the up-to-date on applicable rules, regulations and regulatory requirements issued by the government and regulator, notices from the authorities; and
- Considering the familiarity of the applicable rules and regulation of the country in which the project will be selected. Ensuring the selected project comply with its local regulatory requirement and satisfy with its mainstream social values.

## Internal control effectiveness

### Internal Auditing

Group Internal Audit reports to the Audit Committee of each regularly scheduled meeting on the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material weaknesses in those controls. Group Internal Audit adopts a risk-and-control-based audit approach. During the year, Group Internal Audit had performed reviews on major aspects of the Company's operations in PRC and Hong Kong. This review covered all material controls, including financial, operational, compliance controls and risk management functions, and also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions, and their programs. The results of these audit activities are communicated to the Audit Committee. Audit issues are tracked, followed up for proper implementation, and their progress are reported to the Audit Committee periodically.

In addition to the review of risk management and internal controls undertaken by Group's Audit Committee, Risk Management Committee and Group's Internal Audit, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

The Audit Committee was satisfied with the results of the self-evaluation of the Group and considered that the internal control systems of the Group were effective and adequate and its opinion was endorsed by the Board. During the year, no significant areas of concern which might affect the Shareholders were identified.

## INSIDE INFORMATION

The Company recognises that the release of inside information to place anyone in a privileged dealing position is strictly prohibited and has adopted an Inside Information Policy to ensure compliance of the Listing Rules. Prior to the announcement of any inside information, all Directors and senior management are requested to take all reasonable steps to maintain strict confidentiality and where it is reasonably likely that confidentiality may have been lost in respect of the inside information, the Company shall as soon as reasonably practicable, apply to the Stock Exchange for a trading suspension of its shares.



## Corporate Governance Report

### 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.

### CONSTITUTIONAL DOCUMENTS

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

### 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.

### SHAREHOLDERS' RIGHTS

#### How Shareholders can convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to the Bye-Laws of the Company, any one or more shareholder holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company by mail at 10th Floor, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitions(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitions(s) as a result of the failure of the Board shall be reimbursed to the requisitions(s) by the Company.

#### Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at 10th Floor, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong or by email at enquiry@sig.hk. The Company Secretary forwards communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

# Environmental, Social and Governance Report

## REPORT OVERVIEW

To stand fast for our core value, Benevolence, the Group has been actively undertaking corporate social responsibility behavior, pursuing the humanistic concept of green development and striving to bring about positive impacts through green, energy-saving environment protection and social responsibility. During the year, the Group laid emphasis on performing obligations of environmental protection and social responsibility, so as to guarantee our commitments made to the stakeholders including our shareholders, staff, customers, suppliers and society.

The Group is pleased to present this ESG Report as a means to demonstrate the Group's approach and performance in terms of sustainable development for the year ended on 31 December 2017. This ESG report is prepared in compliance with the ESG Reporting Guide as set out in Appendix 20 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited's website.

This ESG Report covers the environmental and social performance within the operational boundaries of the Group that include the business of funeral services and entertainment media. The reporting period of this ESG Report is the financial year from 1 January 2017 to 31 December 2017 ("FY2017"), unless specifically stated otherwise.

The information in this report was gathered from the official documents and statistics of the Group, the integrated information of supervision, management and operation in accordance with the relevant policy, the internal quantitative and qualitative questionnaires based on the reporting framework, and sustainability practices provided by the subsidiaries of the Group. A complete content index is available at the end of the ESG report for readers' convenience to check efficiently.



*Benevolence*

Staff welfare and benefits



Film Show



Run Our City

COMMUNITY INVESTMENT

A new home and new project in Cambodia



Road donation





## Environmental, Social and Governance Report

### I. STAKEHOLDER ENGAGEMENT

With the goal to strengthen the sustainability approach and performance of the Group, the Group has put tremendous effort in listening to both its internal and external stakeholders. The Group actively collects feedback from its stakeholders in order to maintain a high standard of sustainability within the group while also building a trustful and supporting relationship with them. The Group connects with its stakeholders through their preferred communication channels as listed in the table below.

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	<ul style="list-style-type: none"> <li>– Compliance with laws and regulations</li> <li>– Support economic development</li> <li>– proper tax payment</li> </ul>	<ul style="list-style-type: none"> <li>– Supervision on complying with local laws and regulations</li> <li>– Routing reports and taxes paid</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>– Return on investments</li> <li>– Corporate governance</li> <li>– Business compliance</li> </ul>	<ul style="list-style-type: none"> <li>– Regular reports and announcements</li> <li>– Regular general meetings</li> <li>– Official website</li> </ul>
Employees	<ul style="list-style-type: none"> <li>– Employees' compensation and benefits</li> <li>– Career development</li> <li>– Health and safety working environment</li> </ul>	<ul style="list-style-type: none"> <li>– Performance reviews</li> <li>– Regular meetings and trainings</li> <li>– Emails, notice boards, hotline, caring activities with management</li> </ul>
Customers	<ul style="list-style-type: none"> <li>– High quality products and services</li> <li>– Protect the rights of customers</li> </ul>	<ul style="list-style-type: none"> <li>– Face-to-face meetings and on-site visits</li> <li>– Customer service hotline and email</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>– Fair and open procurement</li> <li>– Win-win cooperation</li> </ul>	<ul style="list-style-type: none"> <li>– Suppliers' satisfactory assessment</li> <li>– Face-to-face meetings and on-site visits</li> </ul>
General public	<ul style="list-style-type: none"> <li>– Involvement in communities</li> <li>– Business compliance</li> <li>– Environmental protection awareness</li> </ul>	<ul style="list-style-type: none"> <li>– Media conferences and responses to enquiries</li> <li>– Public welfare activities</li> <li>– Face-to face interview</li> </ul>

## Environmental, Social and Governance Report

### Materiality Assessment

The Group undertakes annual review in identifying and understanding its stakeholder's main concerns and material interests for the ESG Report. In FY2017, the Group has engaged its stakeholders to conduct a materiality assessment survey. Both internal and external stakeholders were selected based on their influence and dependence on the Group. The selected stakeholders have then been invited to express their views and concerns on a list of sustainability issues via an online survey. As a result, the Group was able to prioritise the issues for discussion. The result from the materiality assessment survey has been mapped and presented as below.

		Materiality Matrix	
IMPORTANCE TO THE STAKEHOLDERS	Crucial	<b>Areas identified as relevant for disclosure:</b> <ul style="list-style-type: none"> <li>• Solid waste treatment</li> <li>• Energy use</li> <li>• Composition of employees</li> <li>• Employee development</li> <li>• Preventing child and forced labour</li> <li>• Environmental protection assessment of the suppliers</li> <li>• Procurement practice</li> <li>• Preventing bribery, extortion, fraud and money laundering</li> <li>• Anti-corruption policies and whistle-blowing procedure</li> <li>• Public welfare and charity</li> </ul>	<b>Areas identified as critical for disclosure:</b> <ul style="list-style-type: none"> <li>• Mitigation measures to protect natural resources</li> <li>• Occupational health and safety</li> <li>• Health and safety relating to products/services</li> <li>• Customer satisfaction</li> <li>• Observing and protecting intellectual property rights</li> <li>• Protection of consumer information and privacy</li> </ul>
	Not relevant	<b>Areas identified as not relevant for disclosure:</b> <ul style="list-style-type: none"> <li>• Land use, pollution and restoration</li> <li>• Use of other raw/pack aging materials</li> <li>• Suppliers by geographical region</li> </ul>	<b>Areas identified as relevant for disclosure:</b> <ul style="list-style-type: none"> <li>• Air and greenhouse gas emissions</li> <li>• Sewage treatment</li> <li>• Water use</li> <li>• Employee remuneration and benefits</li> <li>• Selection of suppliers and assessment of their products/services</li> <li>• Social risks assessment of the suppliers</li> <li>• Marketing and promotion</li> <li>• Product quality assurance and recall percentage</li> <li>• Labelling relating to products/services</li> <li>• Understanding local communities' need</li> </ul>
		Not relevant	Crucial
<b>IMPORTANCE TO THE GROUP</b>			

The Group built a two-dimensional materiality analysis matrix and prioritised the 29 issues accordingly. With respect to this ESG Report, the Group identified mitigation measures to protect natural resources, occupational health and safety, health and safety relating to products/services, customer satisfaction, observing and protecting intellectual property rights and protection of customer information and privacy as issues of the highest importance to its stakeholders and the Group. This review has helped the Group to prioritise its corresponding sustainability issues and highlight the material and relevant aspects so as to align them with stakeholders' expectations.

### Stakeholders Feedback

As the Group always striving for excellence, the Group welcomes stakeholders' feedback, especially on topics listed as the highest importance in the materiality assessment and its ESG approach and performance. Readers are also welcome to share your views with the Group at [ir@sig.hk](mailto:ir@sig.hk).

## Environmental, Social and Governance Report

### II. ENVIRONMENTAL SUSTAINABILITY

The Group is committed to the long-term sustainability of the environment and community in which it operates. The Group stringently controls its emissions and consumption of resources, and complies with all relevant environmental laws and regulations in Hong Kong and the PRC in its daily operation. All operating regions of the Group have implemented effective energy conservation measures to reduce emissions and resource consumption.

This section primarily discloses the policies and practices of the Group on emissions, use of resources, the environment and natural resources during FY2017.

#### A.1. Emissions

Since the Group engages in the provision of deathcare services, the Group's emissions include domestic wastewater, domestic solid wastes and Greenhouse Gases (GHGs) emissions. The Group strictly adheres to emission related laws and regulations, including but not limited to the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) and Waste Disposal Ordinance, set out in the PRC and Hong Kong. It is included in the Group's policy to reduce the impacts of these emissions on the environment through measures such as control of the Group's energy consumption and special treatment of wastewater and exhaust gases.

#### *Air Emissions*

Air emissions are mainly generated by the incineration in the funeral operation site and the use of vehicles. The Group uses diesel as the fuel for incineration in the crematory operation. Therefore, the exhausted gases generated from the combustion process are mainly sulfur oxides ("SO<sub>x</sub>"), nitrogen oxides ("NO<sub>x</sub>") and particle material ("PM"). Due to the nature of the Group's business, the incineration process has generated various pollutants from the body. The relevant amount of each air emission in FY2017 is shown in Table 1.

To minimise the influence of the exhausted gas from incineration on the environment, the Group has purchased two sets of exhaust gas treatment units to remove the NO<sub>x</sub>, SO<sub>2</sub> and other atmospheric pollutants generated from the cremator. To evaluate the quality of the exhaust gases, the Group has authorized the Keda Environment Protection Equipment Ltd., Co. in Jiangmen to conduct the exhaust gas monitoring. According to the monitoring result, the toxic equivalent quantity (TED) of Dioxin, amount of smoke, SO<sub>x</sub>, NO<sub>x</sub>, carbon monoxide ("CO"), hydrogen chloride ("HCL") and mercury are all up to the emission standard (GB 13801-2015). The Group has also complied with the Emission Standard of Air Pollutants for Crematory (火葬場大氣污染物排放標準) by keeping noxious gas below the emission limit.

#### *Greenhouse Gases ("GHGs")*

The GHG emissions of the Group consist of direct emission (Scope 1) from incineration for crematory, the use of vehicles, indirect emission (Scope 2) from the consumption of electricity, and other indirect emission (Scope 3) from the waste paper processing.

The direct emission and indirect emission are the main source of GHGs emissions while other indirect emission is insignificant. The amount of each scope can be found under Table 1. As GHG emissions are positively correlated to electricity and energy consumption, the Group has tried to reduce the consumption of both aspects in its daily operation through specific measures, which are further explained in the subsection headed "Electricity" and "Energy" under section A.2. "Use of Resources" of this ESG Report.

## Environmental, Social and Governance Report

### Wastewater

Wastewater produced by the Group mainly is generated from the daily water usage from its staff during working hours in office, which is further discharged to the municipal wastewater treatment plant through the sewage pipe work. Besides, the Group has implemented facilities to deal with the exhaust water of cremator. No hazardous wastewater is produced from daily operation. In FY2017, the Group has generated 25.2 m<sup>3</sup> domestic wastewater. Since wastewater generation is positively correlated to the water consumption, the Group has adopted specific measures to reduce the water consumption, which are further explained in the subsection headed "Water" under section A.2. "Use of Resources" of this ESG Report.

### Solid Wastes

Solid wastes produced by the Group are mainly generated from the daily paper usage, packaging waste, office document waste and staff food waste. The solid wastes are collected, sourced and recycled if possible. The remaining wastes are handled by the property management. In FY2017, the Group has generated 2,586 kg of domestic solid wastes and no hazardous solid waste has been produced from the Group.

To reduce the environmental impacts of solid wastes, the Group has implemented various measures in the daily operation. The Group adopts the concept of recycling used paper and stationaries such as lunch box, bottles and cans. Disposable paper cups are not available in the Group's daily operation.

**Table 1 Total emissions of the Group by category in FY2017**

Emission Category	Item	Unit	Intensity	
			Amount	(Per employee)
Air emissions	SO <sub>2</sub>	kg	93.3	1.8
	NO <sub>x</sub>	kg	495.9	9.7
	PM	kg	92.7	1.8
GHG emissions	Scope 1 (Direct Emission)	tonnes CO <sub>2</sub> e	315.6	6.2
	Scope 2 (Indirect Emission)	tonnes CO <sub>2</sub> e	88.2	1.7
	Scope 3 (Other Indirect Emission)	tonnes CO <sub>2</sub> e	2.9	–
	Total (Scope 1 & 2)	tonnes CO <sub>2</sub> e	424.7	8.3
Non-hazardous waste	Solid Waste	kg	2,586	50.7

During the year under review, the Group was not in violation of any relevant laws and regulations, which have a significant impact on the Group, related to emissions.



## Environmental, Social and Governance Report

### A.2. Use of Resources

The Group has complied with the relevant laws and regulations in relation to its use of resources, including but not limited to Energy Conservation Law of the PRC (中華人民共和國節約能源法) and Provisions on the Management of Water Conservation in Cities (城市節約用水管理規定) during the year under review. Resources used by the Group mainly include electricity, water and diesel.

#### **Electricity**

All the electricity consumption by the Group comes directly from regular operation of both the crematory operation site and offices. The Group keeps a detailed record of its electricity consumption. The total electricity consumption of the Group amounted to 166,367 kWh in FY2017. To ensure effective use of electricity, the Group has formulated the internal regulation. All subsidiaries of the Group stringently comply with the Group's policy of saving energy. The electricity saving regulations are included but not limited as followings:

- Turn off all lights and electronics in office whenever and wherever not necessary;
- Modify the set temperature of air conditioners in the offices based on the season;
- Clean office equipment such as refrigerator, air condition and shredder regularly to ensure their efficiency;
- Use electronic facilities with energy saving label; and
- Replace high electricity consumption lamps with electricity saving lamps for office lighting.

#### **Water**

Water consumption by the Group is for domestic use by its staffs during the working hours. The total water consumption of the Group was 42.58m<sup>3</sup> in FY2017. The amount of water consumed was minimal and need-based. To improve the utilization efficiency of water resources, the Group has formulated the internal regulation. The policy also requests the Group's employees to change their consumption behaviour including, but not limited, to the followings:

- Recycle used water for cooling and cleaning if possible;
- Require employees to strictly adhere to the principle of water conservation in their daily work;
- Posting banners "Saving Water Resources" on prominent places.

#### **Energy**

The energy consumption of the Group is mainly diesel. The diesel consumption comes only from the operation site by two means. One is the cremation where diesel is burnt directly, and the other is to burn diesel to generate electricity during power grid failure hours. The gasoline is used for powering the vehicles. The diesel and gasoline consumed by the Group during FY2017 amounted to 82,588 litres and 38,456 litres respectively. To reduce diesel consumption, the Group has adopted more efficient cremation equipment in the operation site.

## Environmental, Social and Governance Report

### Packaging Materials

Due to the nature of the Group's business segment, the packaging materials used are mainly coffin and body bags. Since the coffin and body bag are on made-to-order basis, there is no specific measurement to reduce their consumption. Other packaging materials, such as paper and plastic, consumed by the Group in FY2017 amounted to 1.6 tonnes.

### Paper

Paper is one of the major consumption of natural resources by the Group. In FY2017, the total amount of paper consumption in the Group was 607.4 kg. Paper is mainly consumed by the Group in its offices, and the Group has adopted the following practices to reduce the consumption:

- Set duplex printing as the default mode for most network printers when printouts are needed;
- Promote the idea of "Think before print" by using posters and stickers in the offices to remind the staff to avoid unnecessary printings;
- Place boxes and trays beside photocopiers as containers to collect single-sided paper for reuse and used paper for recycling;
- Use the back of old single-sided documents for printing or as draft paper; and
- Recycle used stationery whenever possible.

**Table 2 Detailed resource consumption of the Group by category in FY2017**

Item	Types of Resources	Unit	Intensity	
			Amount	(Per employee)
Energy consumption	Diesel	L	82,588	1,214.5
	Gasoline	L	38,456	565.5
	Electricity	kWh	166,367	2,446.6
Water consumption	Water	m <sup>3</sup>	42.58	0.6
Packaging materials	By plastic	kg	545.5	8.0
	By paper	kg	1,091	16.0
Raw materials	Paper	kg	607.4	8.9

### A.3. The Environment and Natural Resources

The Group has been in strict compliance with the relevant laws and regulations, namely Law of the PRC on Circular Economy Promotion (《中華人民共和國循環經濟促進法》) and Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), in relation to the environment and the use of natural resources during the year under review.

The Group's routine operation exerts no negative influence on its surroundings with more than 1 kilometre away from the residential area around. According to the inspection results, the three kinds of wastes and other environmental impacts generated from the operation process of the Group are in conformity with the emission standards.

To alleviate the environmental impact caused by the Group, the Group has taken various measures including planting trees within the operating areas and installing cremation machine exhaust water treatment devices to remove the hazardous substance.

The Group will continue to adhere to the safety, harmony and green development concept and make unremitting efforts to create a resource-saving and environmentally-friendly corporation.

## Environmental, Social and Governance Report

### III. SOCIAL SUSTAINABILITY

#### Employment and Labour Practices

##### B.1. Employment

The Group treasures employee's talent and embraces the talent concept of "paying respect to the dedicated, utilising the competent, fostering the aspiring and incentivising the innovative", seeking to provide a safe and sound working environment for employees and cultivating talents experienced in technology and management. The Group strives to provide its employees with a safe and suitable platform for developing their career, professionalism and advancement.

##### *Law compliance*

The human resources policies of the Group strictly adhere to the applicable employment laws and regulations in Hong Kong and the PRC, including the Employment Ordinance, Labour Law of the PRC (中華人民共和國勞動法), and Labour Contract Law of the PRC (中華人民共和國勞動合同法). The Group has also complied with the laws and regulations in respect to the employees' social security schemes that are enforced by the local governments in the PRC and Hong Kong in relation to employee benefits. The human resources department of the Group and its subsidiaries review and update the relevant company policies regularly in accordance with the latest laws and regulations.

##### *Recruitment and promotion*

To attract high-calibre candidates, the Group offers fair, remuneration and benefits based on the individuals' past performance, personal attributes, job experiences and career aspiration. The Group also references market benchmarks in determining its remuneration and benefit policies. The Group takes various measures to attract candidates such as posting information on the Internet and hiring headhunting companies.

The Group sets periodicity plans and budgets to run performance evaluation. The promotion report issued by the manager is based on the outstanding performance of the employee.

##### *Compensation and dismissal*

The compensation package of the Group is decided according to employee's capability, past performance and benchmark. Meanwhile, any appointment, promotion or termination of employment contract would be based on reasonable, lawful grounds and internal policies, such as staff handbook. The Group strictly prohibits any kinds of unfair or unreasonable dismissals to protect the employee's rights.

##### *Working hours and rest period*

The Group has formulated its own internal policies based on local employment laws for determining working hours and rest period for employees. In addition to basic paid annual leave and statutory holidays stipulated by the employment laws of the local governments, employees may also be entitled to additional paid leave entitlements such as marriage leave, maternity leave or sick leave.

##### *Equal-opportunity and anti-discrimination*

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are based on factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related factors in all business units of the Group. The equal opportunity policy allows zero tolerance in relation to any workplace discrimination, harassment or vilification in accordance with local ordinances and regulations, such as Disability Discrimination Ordinance and Sex Discrimination Ordinance. Employees are encouraged to report any incidents involving discrimination to the human resources department of the Group. The Group will take responsibility for assessing, dealing with, recording and taking any necessary disciplinary actions in relation to such incidents.

## Environmental, Social and Governance Report

### *Other benefits and welfare*

In terms of internal communication, effective two-way communication between the general staff and managerial staff is highly encouraged within the Group. The employees maintain timely and smooth communication with each other and with the management through means, such as emails, regular meetings and social networks. Maintaining a barrier-free employer-employee relationship helps create a productive and pleasant working environment.

In addition, the Group has hosted a series of activities for its employees in FY2017, such as dinner party for Spring Festival and Mid-Autumn Festival, travelling for female employees at International Working Women's Day, Xiamen Tour and Christmas party. Also, the Group has reserved a house of cinema for employees to enjoy movie. Apart from leisure activities, the Group encourages the employees to participate in "Run Our City" event in Hong Kong. These events have not only helped the employees in terms of relieving stress, but also exemplified the Group's corporate culture of solidarity and cohesion among its employees.

During the year under review, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

### **B.2. Health and Safety**

To provide and maintain good working conditions and a safe and healthy working environment for its employees, the Group has established work safety and health policies that are in line with various laws and regulations stipulated by the HKSAR Government and the State Council of the PRC. The specific laws and regulations are Occupational Safety and Health Ordinance and Employees' Compensation Ordinance, Law of the PRC on the Protection of Production Safety (《中華人民共和國安全生產法》) and Regulation on Work-Related Injury Insurance (《工傷保險條例》).

### *Protecting employees from occupational hazards*

Every year, employees at the operation site undergo physical examinations, especially for occupational diseases such as dust and toxic and hazardous substances, and implement an occupational health system. The Group also purchases work injury insurance for the related employees if there is any accident during working hours or between home and office. All the employees in the operation site are required to be trained on emergency management, hazardous materials handling, machine safeguarding and occupational health and safety courses and receive special work permit. Protective garments, masks and gloves are free for employees to use. The Group also provide disinfectants for relevant employees and customers and conduct environmental disinfection in the operation site at least twice per day.

During the operation process, to ensure the health and safety of the employees and the customers when providing services such as cremation, changing clothes and putting on make-up for the corpse, and embalming the body, the Group has taken the following measures:

1. A death certificate issued by a hospital is required before conducting cremation;
2. If the cause of death is contagious, the Group has rights to refuse to change the clothes, put on make-up and embalm the body, and to cremate it immediately;
3. Adequate disinfection equipment must be provided by the Group to ensure a healthy and safe service environment.



## Environmental, Social and Governance Report

### *Providing a safe working environment*

In FY2017, The Group has conducted emergency response drill, safety inspections, cleaning of the air-conditioning systems, disinfection treatment of carpets and other policies in the operation to provide a safe working environment. Besides, the Group has organised annual health and safety training, held regular safety work meetings, set up safe and healthy work bulletin, built up safety warning signs, set up safety banners and slogans and arranged health check for relevant employees there. The Group has well-stocked, unlocked first aid stations and ensures that all emergency exits unobstructed and unlocked from the inside at all times in working place during working hours.

In FY2017, no work-related fatalities and no lost days due to work injury had occurred in the Group's related activities. During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group,

### **B.3. Development and Training**

The Group offers comprehensive training and development programmes to its staff in order to strengthen their work-related skills and knowledge. The purpose is to improve the Groups' overall operational efficiency through the intranet platform. The Group provides internal trainings, including technical and business operation trainings to its employees of different levels in various departments.

The Group provides integrated induction training for newly recruited staff to understand our corporate culture, business processes, work health and safety, management system and group development.

The Group encourages outstanding employees to attend external trainings for enhancing their competitiveness and expanding their capacity through continuous learning. The Group may arrange external training organisations and trainers to provide job-related trainings to its employees.

The Group aims to foster a learning culture that could strengthen its employees' professional knowledge, so as to benefit the Group as employees are expected to achieve better working performance after receiving appropriate training. According to its annual training plan and budget, the Group assesses and monitors the execution of its training programmes by conducting employee satisfaction surveys. Employees' performance in the trainings is also considered in the employees' performance evaluations.

### **B.4. Labour Standards**

The Group strictly abides by the Employment Ordinance, Labour Law of the PRC (中華人民共和國勞動法), Labour Contract Law of the PRC (中華人民共和國勞動合同法) and other related labour laws and regulations in Hong Kong and the PRC to prohibit any child or forced labour employment.

To combat against illegal employment on child labour, underage workers and forced labour, the Group's human resources staff requires job applicants to provide valid identity documents before confirmation of employment to ensure that the applicants are lawfully employable. If there is any mendacious information, the Group will terminate the employment according to relevant laws. The human resources department of the Company is responsible to monitor and ensure compliance by the Group with the latest relevant laws and regulations that prohibit child labour and forced labour.

During the year under review, the Group was not in violation of any of the relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

## Environmental, Social and Governance Report

### Operating Practices

#### B.5. Supply Chain Management

As a socially responsible enterprise, it is critical and vital for the Company to maintain and manage a sustainable and reliable supply chain that makes minimal negative impacts on the environment and society. Each of the operating subsidiaries within the Group monitors the quality of its suppliers and their supply chain practice on a strict and continuous basis. The entertainment business segment only involves few suppliers; hence this part focuses on the business segment of funeral services.

The main business of this segment is to provide service about funeral and interment and to provide cemetery for bone ash placement. Thus, the principle supplies are mainly urns, eco-friendly coffins and tombstones. The Group chooses suppliers according to the requirements of the specific business and customers and the environmental and social risks. Our standards are listed as below:

- a. The suppliers must hold legal business license;
- b. The product quality of the suppliers must be high-class;
- c. The products of the suppliers must be environmentally friendly and pollution-free, which should be healthy and safe to the employees and the customers.

The Group's purchase department also takes other aspects into account such as raw material quality, service quality, former records, projects, reputation and social and environmental responsibility. The Group arranges regular visit and communication with the suppliers to keep updated of the latest business situation of the suppliers. The purchase department runs the evaluation of the suppliers in the following four aspects: regulatory compliance, rights of the employees, health and safety, and environment protection. If there is no serious quality accident or delay on delivery, the supplier is recognised as qualified supplier and added to the supplier list. The Group chooses its supplier from the supplier list which is renewed every year.

To ensure sufficient supply, the purchasing department keeps close contact with the suppliers and reserves products in advance. Besides, the Group usually has backup suppliers. In terms of the risk of price fluctuation, since the price asked by the suppliers must be examined and approved by the local Price Control Authority, there is no risk as sudden rise in prices. The Group will conduct some basic evaluations upon contracts in top management turnover, production capacity, changes in manufacturing techniques and raw materials, and violations of the law and discipline of the suppliers. Quality management department samples the raw materials before accepting and requires the supplier to provide quality certification and test report.

According to the evaluation of the purchasing department, those with serious problems existed in the regulatory compliance, rights of the employees, health and safety, and environment protection will be put in the black list immediately. After being purchased, if the products do not accord with the requirements of the Group, the Group has rights to return the products at suppliers' expense and refuse to pay the bills. In the meantime, the relevant suppliers will be put in the black list.

#### B.6. Product Responsibility

The core value of the Group is benevolence. The Group abides by the service concept that to treat the deceased as our loved ones and make the customers move on without regrets.

##### *Funeral service*

To build up the harmonious relationship between man and nature, the Group advocates civilized and frugal procedure of the funeral and promotes the concept known as "Green Funeral". Under the guidance of the local government, the Group has gradually developed areas for arbour burial, flower burial and grassland burial in the operation site. The Group is dedicated to promoting the quality of product and service and protecting the environment at the same time.

## Environmental, Social and Governance Report

### *Law compliance*

Regarding our service quality and safety, the quality management system is in line with the rules and regulations as stipulated by the PRC government. Upon providing service of the funeral and interment and cemetery for the placement of bone ash, the Group mainly follows the regulations of the National Funeral Management Regulations (《國家殯葬管理條例》) and Funeral Management Approach for Guangdong Province (《廣東省殯葬管理辦法》) to ensure legal compliance. No violation of relevant laws relating to service quality, health and safety, advertising, labelling and privacy was found in FY2017. Any employee who is not in comply with relevant laws or is in violation of the revolution will be recorded and even be dismissed if possible.

### *Quality of products*

The Group requires high hygiene standards and performs sterilisation on the remains once they are transported to our facilities. Through the live monitoring on the suppliers, the Group runs test on raw materials and products to track any potential defects. The Supervision Office inside the Group is set up to assess product quality, while Funeral Management Department in both Zhaoqing City and Huaiji County monitors and checks the production safety, fire safety, diving safety, service quality with or without complaints, environmental sanitation and service norms.

Because of the high-quality products and services, the Group has perfectly met the requirements formulated by Zhaoqing Management Office and won the first prize representing Huaiji County among government offices in all districts in Zhaoqing.

### *Health and safety*

With Regard to the quality and safety of the ashes stored in the company, the ashes are produced by high temperature cremation of over 900 degrees centigrade. The only practice to prevent them from deteriorating is to seal them up. The cremation urns are kept in the ashes building with specific employees on guard to ensure proper management. Due to the strict management rules, there is no case of ashes deterioration or loss urns for the last decade since the operation site was built up.

To ensure a clean and tidy environment and that the funeral equipment is in good condition so that the deceased can be kept properly, the company is equipped with specialised cleaning staff who are required to clean the whole office area at least twice a day. The company is equipped with a dedicated plumber, while staff must check the funeral related instruments to ensure safety and regular processing. In the meantime, they have to stay in contact with the suppliers to replenish products in case of any shortage.

### *Complaints*

The Group has prepared opinion box and telephone complaints for 24-hour supervision from the staff and the public. The complaints are collected and sent to the head office to conduct further study and analysis. Meetings are held to discuss the reply to the complaint and the punishment on employees. The whole process takes a week to reply the customers.

### *Advertising*

Due to the special nature of our business, no public advertisement is conducted, yet many new customers have been referred to us by word-of-mouth, where customers who are satisfied with our products and services share their experience with others around them. These measures strengthen our product offerings and service quality, and consequently enable us to stay competitive in the market.

## Environmental, Social and Governance Report

### *Privacy matters*

The Group undertakes to comply with the Personal Data (Privacy) Ordinance and the relevant PRC laws and regulations to ensure that the rights and interests of customers are strictly protected. The Group has built file management system to protect customer's trade and information. Information collected by the Group from its customers would only be used for the purpose for which it has been collected. Only specific staffs can reach the information and data processing is guided by different departments. The Group prohibits the provision of customer information to a third party without authorisation of the customer. The employees are educated to enhance the awareness of the data release risks and sign the confidentiality agreement. The IT department sets obstruction between office and commercial net to prevent unauthorized data use, exportation and copy.

### *Intellectual property rights*

The Group complies with laws and regulations that have great impact on the Group such as Patent Law of the PRC (《中華人民共和國專利法》), the Trademark Law of the PRC (《中華人民共和國商標法》) and Patents Ordinance (《專利條例》). Employees also have the responsibility to protect the intellectual property.

### *Entertainment*

This business segment of the Group now engages in the investment and production of media and entertainment projects covering films, internet films, concerts and other commercial performing arts media including artist management and retail and branding to expand its business and opportunities for development. The entertainment business will focus on original musicals to create intellectual property and work with industry partners to bring musicals to the Internet and films.

### *Law compliance*

As an entertainment investment and production company, this business mainly complies with the Advertising Law of the PRC (《中華人民共和國廣告法》) and relevant laws and regulations in Hong Kong. No violation of relevant laws relating to service quality, health and safety, advertising, labelling and privacy was found during FY2017.

### *Intellectual property*

The Group is dedicated to protecting and enforcing its intellectual property rights, which is crucial to the Group's sustainable business growth and ability to differentiate itself from its competitors. The Group has complied with all applicable intellectual property laws and regulations, including but not limited to the Trade Marks Ordinance and the Prevention of Copyright Privacy Ordinance in Hong Kong. The Group actively applies for new trade mark, label and specialised knowledge as the intellectual property to protect the exclusive right. Besides this, the Group insist to use genuine material to protect its intellectual property to avoid potential risks relating to intellectual property.

## **B.7. Anti-corruption**

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducts its business, such as Law of the PRC on Anti-money Laundering (《中華人民共和國反洗錢法》) and the Prevention of Bribery Ordinance.

The Group has formulated staff handbooks based on the anti-corruption, anti-fraud and anti-bribery policies of the Group. All employees are expected to discharge their duties with integrity and self-disciplined, and they are required to abstain from engaging in any activities related to bribery, extortion, fraud and money laundering which might affect their business decision or independent judgment during business operations which might exploit their positions against the Group's interests.



## Environmental, Social and Governance Report

The Group has no tolerance to any corruption and set whistle-blowing policy to report any corruption. Relevant evaluation, consultation, investigation and punishment are written in the Whistle-blowing policy. Whistle-blowers can report verbally or in writing to the department or the senior management of the Group for any suspected misconduct with full details and supporting evidence. The management will conduct investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation through security regimes. Where criminality is suspected, a report is made to the relevant regulators or law enforcement authorities when the management considers necessary.

During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

### COMMUNITY

#### B.8. Community Investment

The Group has always focused on fulfilling corporate social responsibility, especially on the community education and community environmental construction. Participation in such projects helps formulate policies and objectives, which are in line with the interests of these communities. The Group is keen to support social welfare activities and community care projects, and encourages its own employees to participate in these activities and projects.

#### *"A New Home, A New Life" Project*

In FY2017, the Group has cooperated with one of Taiwan's social organisations "Empowering Lives through Innovative Volunteerism" to travel to Cambodia to help local villagers build houses. The main activities of this project were assisting in the construction of housing, visiting local villagers, recognising the local culture and others. The volunteers learned construction methods from the local villagers to use palm leaves, bamboo, wooden columns and other traditional construction materials to build houses. Besides, the volunteers have visited the Cambodian cultural heritage, Angkor Wat temple, which has a history of 400 years. The purpose of this project was to help local villages in Cambodia and develop the skills in communication and thinking.

#### *Education Donation*

The Group pays great attention to education of its community, and has donated money to the surrounding schools. In FY2017, the Group has sponsored local Dutou primary school ("渡頭小學") on Children's Day by giving out presents and on Teacher's Day by organising a dinner party. The events have greatly deepened the relationship between the Group and the school.

#### *Road Donation*

The Group believes that having roads connecting to other places can greatly influence the life of locals. Hence, the Group donated a generous amount of money to help the local people build their roads to cities in FY2017 in Dutou village ("渡頭村") of Guangdong Province, where the Group operates.

#### *Mid-Autumn Festival Donation*

The Group has actively taken its social responsibility and participated in charity activities to help people. In Mid-Autumn Festival, the Group purchased charity hamper for employees from social enterprises, K for Kids Foundation Limited, to support underprivileged children in Hong Kong.

The Group will continue to contribute to the sustainable development of the community by building a healthy and dynamic community.

## Environmental, Social and Governance Report

## VII. REPORT DISCLOSURE INDEX

Aspects	ESG Indicators	Description	Page
<b>A. Environmental</b>			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5
	KPI A1.1	The types of emissions and respective emission data.	5
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	6
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	6
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	7
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	8
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	7
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	8
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	9
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	9

## Environmental, Social and Governance Report

Aspects	ESG Indicators	Description	Page
<b>B. Social</b>			
<b>Employment and Labour Practices</b>			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	9
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	11
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	12
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	13
<b>Operating Practices</b>			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	14
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	15
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	17
<b>Community</b>			
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	17

## Biographical Details of Directors and Senior Management

### EXECUTIVE DIRECTORS

**Mr. Chui Bing Sun (“Mr. Chui”)**, aged 41, joined the Group on 23 November 2007. He was the chairman and CEO of the Group who resigned on 19 March 2018. Mr. Chui led 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 37, joined the Group on 4 May 2015 and 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. 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.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Wai Man (“Mr. Chan”)**, aged 52, 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 Tai United Holdings Limited (stock code: 718) and Global Mastermind Holdings Limited (stock code: 8063) from May 2013 to January 2016 and April 2014 to December 2015 respectively.

**Mr. Siu Hi Lam, Alick (“Mr. Siu”)**, aged 63, 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 New Provenance Everlasting Holdings Limited (stock code: 2326) and Get Nice Holdings Limited (stock code: 64).

**Mr. Ting Kit Lun (“Mr. Ting”)**, aged 52, 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 48, joined the Group on 16 June 2014 and was appointed as the CFO and Company Secretary in September 2014. Mr. Jip is a fellow member of The Hong Kong Institute of Certified Public Accountant (“HKICPA”) and is a Certified Practising Accountant of CPA Australia (“CPA (Aust.)”). Mr. Jip graduated from Queensland University of Technology, Australia with a bachelor’s degree of business in accountancy in March 1994. Mr. Jip then graduated from University of Adelaide, Australia with a master degree in business administration in August 2008. Mr. Jip has a wealth of experience in account, finance, management and company secretarial field and is currently an independent non-executive director of China Meidong Auto Holdings Limited (Stock code: 1268) and Hebei Yichen Industrial Group Corporation Limited (Stock code: 1596).

**Mr. Kwok Kwan Hung (“Mr. Kwok”)**, aged 52, 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.

## Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2017.

### CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information as required to be disclosed pursuant to rule 17.50A(1) of the GEM Listing Rules are set out below:

#### Mr. Chui Bing Sun, the chairman and executive Director

- resigned as an executive Director, the chairman of the Company, the chief executive officer of the Group, a member of risk management committee, the compliance officer of the company under rule 5.19 of the GEM Listing Rules, an authorised representative of the Company under rule 5.24 of the GEM Listing Rules with effect from 19 March 2018.

#### Mr. Yao Kan Shan, the executive Director

- resigned as an executive Director, a member of nomination committee and the chairman of risk management committee of the Company with effect from 1 December 2017.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

### SEGMENT INFORMATION

An analysis of the Group's revenue and segment results by business segment and geographical segment for the year ended 31 December 2017 are set out in note 4 to the consolidated financial statements.

### RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 51. The Directors do not recommend the payment of a dividend for the year ended 31 December 2017 (31 December 2016: nil).

### FIVE YEARS FINANCIAL HIGHLIGHTS

A summary of the results and the assets and liabilities of the Group for the last five financial periods is set out on page 132 of the annual report.

### BUSINESS REVIEW

#### Funeral services

During the year ended 31 December 2017, the Group's Hong Kong funeral services recorded a total revenue of approximately HK\$5,841,000 which was 25.72% lower than that of the corresponding period of approximately HK\$7,864,000 in 2016. During the year, revenues were mainly generated from sales of funeral packages, provision of management service and sales of the EGEM products, which transforms the cremated ash into durable memorial gem stone.

The revenue from sales of funeral packages for the year ended 31 December 2017 was approximately HK\$1,890,000, which was 40.75% lower than that the corresponding period of last year of approximately HK\$3,190,000. The revenue from provision of management service for the year ended 31 December 2017 was approximately HK\$2,700,000, which was 50% higher than that of the corresponding period of last year of approximately HK\$1,800,000. The revenue from sales of the eternity gem products decreased 56.47% to approximately HK\$1,251,000 as compared with that of corresponding period of last year of approximately HK\$2,874,000. The decrease was mainly due to only approximately six months' revenue was recorded in current year, which was due to the fact that the company operating the EGEM business was disposed of on 7 July 2017.

#### Media and entertainment business

During the year ended 31 December 2017, the total revenue from media and entertainment business was approximately HK\$79,306,000, which mainly comprised of concert organisation income, artiste performance and management income, and sponsorship and marketing income. The operating segment of media and entertainment business has just started in the mid of 2016 and it recorded a segment loss of approximately HK\$3,836,000. For year ended 31 December 2017, the segment recorded a segment profit of approximately HK\$1,513,000, which was mainly achieved by organising the 《A CLASSIC TOUR學友•經典》concert and investing in a number of concerts including 《林憶蓮<PRANAVA>世界巡迴演唱會2017 ENCORE場—香港站》.

#### Funeral services and crematorium Huajji funeral parlour

Cremation business operation in Huajji was performing steadily during the year ended 31 December 2017 and revenue during the year was approximately HK\$9,350,000, which was 10.69% higher than that the corresponding period of last year of approximately HK\$8,447,000. The reason for increase in revenue was due to the increase in selling price of funeral services.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2017 is set out in note 12 to the consolidated financial statements.

## SHARE ISSUED IN THE YEAR

Details of the Company's shares issued during the year ended 31 December 2017 are set out in note 25 to the consolidated financial statements.

During the year ended 31 December 2017, 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 2017.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders comprised contributed surplus, share premium account and retained profit, if any. The Company had no retained profit available for distribution as at 31 December 2017.

## DIRECTORS

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

### Executive Directors

Mr. Dong Choi Chi, Alex

Mr. Chui Bing Sun

(resigned as an executive Director,  
the chairman and chief executive officer on 19 March 2018)

Mr. Yao Kan Shan

(resigned as an executive Director on 1 December 2017)

### Independent Non-Executive Directors

Mr. Chan Wai Man

Mr. Siu Hi Lam, Alick

Mr. Ting Kit Lun

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. 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.

## 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 GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

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

At 31 December 2017, 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:

## Directors' Report

## 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	12.91%
	Personal	2	1,800	1,052,820	1,054,620	0.09%
			149,474,298	1,052,820	150,527,118	13.00%
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Interest of a controlled corporation	3	284,492,312	–	284,492,312	24.57%
	Personal		1,000,000	–	1,000,000	0.09%
			285,492,312	–	285,492,312	24.66%
Mr. Chan Wai Man	Personal	4	27,000	143,565	170,565	0.01%
Mr. Siu Hi Lam, Alick	Personal	4	–	119,638	119,638	0.01%

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.
- 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.
- 120,300,000 shares are held by Heading Champion Limited, a company incorporated in the British Virgin Islands. 164,192,312 shares are held by Sun Entertainment Films Limited, a company incorporated in Hong Kong. Both companies are 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 2017 were as follows:

Name/Category of participants	Number of share options				Outstanding and exercisable as at 31 December 2017	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year				
<b>Category 1: Directors</b>								
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. Yao Kan Shan (resigned as an executive Director on 1 December 2017)	1,500,000	-	-	(1,500,000)	-	22 August 2016	22 August 2019 – 21 August 2026	HK\$0.211
Sub total	2,816,023	-	-	(1,500,000)	1,316,023			

## Directors' Report

Name/Category of participants	Number of share options				Outstanding and exercisable as at 31 December 2017	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2017	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	981,034	-	-	-	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	430,698	-	-	-	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
Employees	1,900,000	-	-	(100,000)	1,800,000	11 April 2016	11 April 2019 – 10 April 2026	HK\$0.188
Employees	-	5,400,000	-	-	5,400,000	25 January 2017	25 January 2020 – 24 January 2027	HK\$0.200
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
Consultant	4,500,000	-	-	-	4,500,000	11 April 2016	11 April 2017 – 10 April 2026	HK\$0.188
Consultant	-	1,500,000	-	-	1,500,000	25 January 2017	25 January 2020 – 24 January 2027	HK\$0.200
Sub total	14,409,654	6,900,000	-	(482,843)	20,826,811			
<b>Total of all categories</b>	<b>17,225,677</b>	<b>6,900,000</b>	<b>-</b>	<b>(1,982,843)</b>	<b>22,142,834</b>			

During the year ended 31 December 2017, 1,600,000 options were lapsed upon termination of employment service contracts and 382,843 options were lapsed upon expiry.

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

As at year ended 31 December 2017, 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	12.91%
Mr. Chui	Interest of controlled corporations	1	149,472,498	–	149,472,498	Long	12.91%
	Personal	2	1,800	1,052,820	1,054,620	Long	0.09%
			149,474,298	1,052,820	150,527,118		13.00%
Heading Champion Limited	Beneficial owner	3	120,300,000	–	120,300,000	Long	10.39%
Sun Entertainment Films Limited	Beneficial owner	4	164,192,312	–	164,192,312	Long	14.18%
Mr. Dong	Interest of controlled corporations	3 and 4	284,492,312	–	284,492,312	Long	24.57%
	Personal		1,000,000	–	1,000,000	Long	0.09%
			285,492,312	–	285,492,312		24.66%
Mr. Chan Ping Che	Beneficial owner		97,390,000	–	97,390,000	Long	8.41%

Notes:

- These shares are held by New Brilliant, a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui.
- 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.
- 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.
- These shares are held by Sun Entertainment Films Limited, a company incorporated in Hong Kong. It is wholly and beneficially owned by Mr. Dong.

Save as disclosed above, as at 31 December 2017, 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 2017, 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 2017 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

Except for the continuing connected transactions as stated below, 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 2017 or at any time during the year.

### CONTINUING CONNECTED TRANSACTIONS

The Company has carried out 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 2017, 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	2,700	2,700

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.

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.



## Directors' Report

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 33 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 2.4 to the consolidated financial statements.

### MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year ended 31 December 2017.

### DIRECTOR'S INTERESTS IN COMPETING BUSINESS

Mr. Dong Choi Chi, Alex ("Mr. Dong"), an executive Director of the Company, is the sole owner and director of Sun Entertainment Holdings Limited, which together with its subsidiaries, including Sun Entertainment Culture Limited, are principally engaged in investment holding, artist and model management, entertainment, sports, publishing and film and concert production and coordination. He is also an ultimate beneficial owner and a director of Sun Motion (Hong Kong) Limited, which is also engaged in investment holding, artist and model management, entertainment, sports, publishing and film and concert production and coordination. He is also a substantial shareholder and director of Sun Entertainment Concert Group Holdings Limited, which together with its subsidiaries are principally engaged in concert investment, production and coordination. He is also a substantial shareholder and a director of Sun Entertainment Film Group Holdings Limited, which together with its subsidiaries are principally engaged in film investment and production. Mr. Dong is also one of the ultimate beneficial owners and a director of Sun Asia Group Limited, which together with its subsidiaries are principally engaged in the media and entertainment related investment and production in Macau. Therefore, he is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the new businesses of the Group in the media and entertainment industry (as would be required to be disclosed under Rule 11.04 of the GEM Listing Rules).

Save as disclosed above, the Directors are not aware of any business or interest of each of the Directors, management shareholders (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with business of the Group or any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2017.

### 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 26 to the consolidated financial statements.

### COMMITMENTS

Details of operating leases commitments and other commitments are set out in notes 31 and 32, 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.

## Directors' Report

### SUFFICIENCY OF PUBLIC FLOAT

As disclosed in the announcement (the "Joint Announcement") dated 19 March 2018 jointly issued by the Company and Heading Champion Limited (the "Offeror"), immediately after the close of the conditional voluntary cash offers (the "Offers") by Sun International Securities Limited for and on behalf of Heading Champion Limited for all the issued shares of the Company (other than those already owned by it and the parties acting in concert with it) and for the cancellation of all the outstanding options of the Company, subject to the due registration of the transfer of the Shares, a total of 283,591,260 Shares, representing approximately 24.49% of the total issued share capital of the Company as at the date of the Joint Announcement, would be held by the public (within the meaning of the GEM Listing Rules). Accordingly, the minimum public float requirement of 25% as set out under Rule 11.23(7) of the GEM Listing Rules was not satisfied after the close of the Offers.

The Company has made an application to the Stock Exchange for and the Stock Exchange has granted, a temporary waiver from strict compliance with Rule 11.23(7) of the GEM Listing Rules for a period starting from 19 March 2018 up to and including 13 April 2018 (i.e. 10 Business Days after 27 March 2018, being the last day of the black-out period (the "Black-out Period") in respect of the results of the Company for the year ended 31 December 2017) to allow the Offeror a reasonable time to restore the public float of the Company.

The Offeror intends to sell such number of Shares on GEM of the Stock Exchange after the Black-out Period as is required to restore the public float of the Company. Subject to completion of the aforementioned sale by the Offeror, the public float of the Company will be restored.

Further announcement(s) will be made by the Company regarding the restoration of public float as and when appropriate in accordance with the GEM Listing Rules.

### DONATIONS

During the year ended 31 December 2017, the Group made charitable and other donations amounting to approximately HK\$264,000 (31 December 2016: HK\$65,000).

### AUDITOR

On 5 June 2017, PricewaterhouseCoopers informed the Board that its decision not to stand for re-appointment as auditors of the Company at the annual general meeting of the Company held on 16 June 2017. Subsequently, Ernst & Young was appointed as auditor of the Company on 4 October 2017 to fill the casual vacancy following the resignation of PwC and will hold office until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements of the Company for the year ended 31 December 2017 have been audited by Ernst & Young.

### EVENTS AFTER THE REPORTING PERIOD

On 23 January 2018, Heading Champion Limited (the "Offeror") and the Company jointly announced that the Offeror would make voluntary conditional cash offers (i) to acquire all of the issued ordinary shares of the Company (other than those already owned by the Offeror and the parties acting in concert with it) (the "Share Offer"); and (ii) to cancel all the outstanding share options granted by the Company pursuant to the share option scheme of the Company (other than those already owned by the Offeror and the parties acting in concert with it) (the "Option Offer") (collectively, the "Offers"). Upon the completion of the Offers, a distribution in specie will be effected by the Offeror to distribute all the ordinary shares of the Company held by the Offeror in proportion to their existing shareholding in the Offeror (i.e., 40%, 40% and 20% for Mr. Dong Choi Chi, Alex, Simple Cheer Limited and Mr. Chau Cheok Wa, respectively). A composite document relating to the Offers was issued on 13 February 2018.

On behalf of the Board

**Dong Choi Chi, Alex**

*Executive Director*

27 March 2018

# Independent Auditor's Report



## To the shareholders of Sage International Group Limited

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

### OPINION

We have audited the consolidated financial statements of Sage International Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 131, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

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

## Independent Auditor's Report

Key audit matters	How our audit addressed the key audit matters
<p><b><i>Impairment assessment of an intangible asset with indefinite useful life</i></b></p> <p>The Group had an intangible asset at 31 December 2017 with indefinite useful life representing operating rights in relation to certain cremation business with a carrying amount of approximately HK\$9,663,000 (the "Intangible Asset"). An intangible asset with indefinite useful life is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.</p> <p>Impairment is determined by assessing the recoverable amount of the cash-generating unit ("CGU") to which the Intangible Asset relates and whether the recoverable amount of the CGU is less than the carrying amount. For the year under review, the recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections specific to the CGU and applying a discount rate which reflects specific risks relating to the CGU.</p> <p>The impairment testing of the Intangible Asset required management to make certain assumptions and estimates that would affect the reported amount of the Intangible Asset and related disclosures in the consolidated financial statements. We focused on this area due to the magnitude of the balance involved and the significant management estimation required based on the expected future development of the CGU.</p> <p>The significant accounting judgements and estimates and the related disclosures about impairment testing of the Intangible Asset are included in notes 3 and 13 to the consolidated financial statements.</p>	<p>We have evaluated management's impairment assessment of the Intangible Asset. The key audit procedures we performed on evaluating the methodologies, assumptions and estimates used in the impairment assessment included, among others, the following:</p> <ul style="list-style-type: none"> <li>• we assessed the historical accuracy of the prior year's assumptions and estimates made by management;</li> <li>• we obtained an understanding of the current and expected future developments of the CGU and factors that might affect key assumptions and estimates of the cash flow projections and discount rate applicable to the CGU;</li> <li>• we involved our internal valuation specialists to assist us in evaluating the methodologies used and certain key assumptions and estimates made by management, including, among others, the specific discount rate and long term growth rate, with reference to relevant historical/market information;</li> <li>• we evaluated management's assessment about reasonable possible changes in relevant key assumptions and estimates; and</li> <li>• we evaluated the adequacy of related disclosures in the consolidated financial statements.</li> </ul>

## Independent Auditor's Report

## Key audit matters

## How our audit addressed the key audit matters

***Share-based payment in relation to the investment in a film production project***

During the year, the Group entered into an investment agreement with a company beneficially owned by a director and substantial shareholder of the Company, for the investment in the production of a motion picture film (the "Investment"). In connection with the transaction, the Company allotted and issued certain new ordinary shares of the Company as consideration for the underlying arrangement (the "Share-based Payment Transaction"). The Share-based Payment Transaction has been accounted for in accordance with Hong Kong Financial Reporting Standard 2 "Share-based Payment".

For the Share-based Payment Transaction, the Group measured the cost of the Investment at fair value, based on a valuation as determined by a firm of independent professional valuers (the "external valuers") of approximately HK\$26.7 million. The valuation of the Investment involves significant judgement, estimates and assumptions, including, among others, selecting appropriate valuation methodology/techniques and assessing the relevance and appropriateness of historical data, estimates and assumptions as well as available market information for the valuation approach.

We focused on this area due to the magnitude of the balance involved and the significant accounting judgements and estimates required in estimating the cost of the Investment.

The significant accounting judgements and estimates and the disclosures about the Investment are included in notes 3 and 15 to the consolidated financial statements.

The key audit procedures we performed on evaluating the significant judgements, assumptions and estimates used in estimating the cost of the Investment included, among others, the following:

- we evaluated the objectivity, independence, capabilities and competence of the external valuers engaged by management of the Group;
- we obtained relevant information about the project plan and production budget of the underlying film and an understanding of its status;
- we involved our internal valuation specialists to assist us on evaluating the valuation methodology/approach used and assessing the underlying key estimates and assumptions through enquiry with management and the external valuers and with reference to actual production costs incurred and available market information; and
- we evaluated the adequacy of related disclosures in the consolidated financial statements.



## Independent Auditor's Report

### OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Yat Fai, Peter.

**Ernst & Young**

*Certified Public Accountants*

22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

27 March 2018

# Consolidated Statement of Profit or Loss

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
REVENUE	5	94,497	16,287
Cost of sales		(62,643)	(6,298)
Gross profit		31,854	9,989
Other income and gains	5	5,277	5,173
Selling, marketing and distribution expenses		(7,168)	(3,938)
General and administrative expenses		(24,820)	(29,147)
Other expenses		(23,651)	–
LOSS BEFORE TAX	6	(18,508)	(17,923)
Income tax expense	9	(1,401)	(291)
LOSS FOR THE YEAR		(19,909)	(18,214)
Attributable to:			
Owners of the Company		(19,641)	(17,293)
Non-controlling interests		(268)	(921)
		(19,909)	(18,214)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic and diluted (HK cents)		(1.9)	(2.2)

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	2017 HK\$'000	2016 HK\$'000
LOSS FOR THE YEAR	<b>(19,909)</b>	(18,214)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>790</b>	(600)
Lapse of option deed	–	(19)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<b>790</b>	(619)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<b>(19,119)</b>	(18,833)
Attributable to:		
Owners of the Company	<b>(19,108)</b>	(17,922)
Non-controlling interests	<b>(11)</b>	(911)
	<b>(19,119)</b>	(18,833)



# Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	<b>17,887</b>	18,622
Intangible assets	13	<b>11,413</b>	10,486
Investment in a film right	14	<b>7,769</b>	7,769
Deposits	20	<b>108</b>	450
<b>Total non-current assets</b>		<b>37,177</b>	37,327
<b>CURRENT ASSETS</b>			
Inventories	17	<b>57</b>	294
Film and drama under production	19	<b>4,759</b>	–
Investments in concert and film production projects	15	<b>34,386</b>	–
Other investments	16	–	3,254
Trade receivables	18	<b>857</b>	1,993
Prepayments, deposits and other receivables	20	<b>8,946</b>	444
Cash and cash equivalents	21	<b>28,977</b>	22,615
<b>Total current assets</b>		<b>77,982</b>	28,600
<b>CURRENT LIABILITIES</b>			
Trade payables, other payables and accruals	22	<b>5,699</b>	6,447
Deferred income	23	<b>1,229</b>	312
Tax payable		<b>7,916</b>	6,076
<b>Total current liabilities</b>		<b>14,844</b>	12,835
<b>NET CURRENT ASSETS</b>		<b>63,138</b>	15,765
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>100,315</b>	53,092

**Consolidated Statement of Financial Position**

31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>100,315</b>	53,092
NON-CURRENT LIABILITIES			
Deferred income	23	<b>3,608</b>	2,484
Deferred tax liabilities	24	<b>2,416</b>	2,247
Total non-current liabilities		<b>6,024</b>	4,731
Net assets		<b>94,291</b>	48,361
EQUITY			
<b>Equity attributable to owners of the Company</b>			
Share capital	25	<b>28,945</b>	20,715
Reserves	27	<b>58,485</b>	20,774
		<b>87,430</b>	41,489
Non-controlling interests		<b>6,861</b>	6,872
Total equity		<b>94,291</b>	48,361

**Dong Choi Chi, Alex**  
*Director*

**Chan Wai Man**  
*Director*

# Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Notes	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total equity HK\$'000
		Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Option deed HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2016		17,265	239,909	31,713	796	19	14,340	(263,876)	40,166	4,782	44,948
Loss for the year		-	-	-	-	-	-	(17,293)	(17,293)	(921)	(18,214)
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of foreign operations		-	-	-	(610)	-	-	-	(610)	10	(600)
Lapse of option deed		-	-	-	-	(19)	-	-	(19)	-	(19)
Total comprehensive loss for the year		-	-	-	(610)	(19)	-	(17,293)	(17,922)	(911)	(18,833)
Issue of shares upon placement	25	3,450	15,360	-	-	-	-	-	18,810	-	18,810
Equity-settled share option arrangements	26	-	-	-	-	-	435	-	435	-	435
Incorporation of a non-wholly-owned subsidiary		-	-	-	-	-	-	-	-	3,001	3,001
At 31 December 2016		20,715	255,269*	31,713*	186*	-*	14,775*	(281,169)*	41,489	6,872	48,361
At 1 January 2017		20,715	255,269	31,713	186	-	14,775	(281,169)	41,489	6,872	48,361
Loss for the year		-	-	-	-	-	-	(19,641)	(19,641)	(268)	(19,909)
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		-	-	-	533	-	-	-	533	257	790
Total comprehensive income/(loss) for the year		-	-	-	533	-	-	(19,641)	(19,108)	(11)	(19,119)
Issue of shares upon placement	25	4,125	21,431	-	-	-	-	-	25,556	-	25,556
Equity-settled share option arrangements	26	-	-	-	-	-	579	-	579	-	579
Other equity-settled share-based payments transactions	25	4,105	34,809	-	-	-	-	-	38,914	-	38,914
At 31 December 2017		28,945	311,509*	31,713*	719*	-*	15,354*	(300,810)*	87,430	6,861	94,291

\* These reserve accounts comprise the consolidated reserves of HK\$58,485,000 (2016: HK\$20,774,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		<b>(18,508)</b>	(17,923)
Adjustments for:			
Gain on disposal of a subsidiary	5	<b>(2,659)</b>	–
Gain on investments in media and entertainment related projects	5	<b>(2,099)</b>	–
Reversal of provision for impairment of other receivables	5	–	(4,500)
Amortisation of provision for deferred income of government grant	6	<b>(424)</b>	(269)
Depreciation	6	<b>3,232</b>	1,998
Impairment of intangible assets	6	–	1,200
Impairment loss of other receivables	6	<b>145</b>	291
Loss on disposal of items of property, plant and equipment	6	<b>11</b>	47
Reversal of impairment of intangible assets	6	<b>(250)</b>	–
Equity-settled share option expense	6	<b>579</b>	3,436
Other equity-settled share-based payment expense	6	<b>12,202</b>	–
		<b>(7,771)</b>	(15,720)
Increase in inventories		<b>(53)</b>	(112)
(Increase)/decrease in trade receivables		<b>972</b>	(1,889)
(Increase)/decrease in prepayments, deposits and other receivables		<b>(8,404)</b>	5,818
Decrease in restricted cash		–	316
Increase in film and drama under production		<b>(4,759)</b>	–
(Decrease)/increase in trade payables, other payables and accruals		<b>(134)</b>	1,974
Increase in deferred income		<b>2,290</b>	1,161
		<b>(17,859)</b>	(8,452)
Cash used in operations		<b>(17,859)</b>	(8,452)
Overseas taxes paid		<b>(188)</b>	(293)
		<b>(18,047)</b>	(8,745)
Net cash flows used in operating activities		<b>(18,047)</b>	(8,745)

**Consolidated Statement of Cash Flows**

Year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment	12	<b>(1,991)</b>	(11,042)
Disposal of a subsidiary	29	<b>2,836</b>	–
Settlement of /(investment in) other investments		<b>3,254</b>	(3,254)
Increase in investment in concert and film production projects		<b>(5,575)</b>	–
Increase in an investment in a film right		–	(7,769)
<b>Net cash flows used in investing activities</b>		<b>(1,476)</b>	(22,065)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares, net	25	<b>25,556</b>	18,810
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		<b>22,615</b>	34,657
Effects of foreign exchange rate changes, net		<b>329</b>	(42)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>28,977</b>	22,615
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>28,977</b>	22,615



# Notes to Financial Statements

31 December 2017

## 1. CORPORATE AND GROUP 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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 November 2001. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11 Bermuda and its principal place of business is located at 10th Floor, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was involved in the following principal activities:

- provision of funeral and cremation services and deathcare related business; and
- investment in and production of films and concerts and other media and entertainment related businesses.

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2017	2016	
Black Sesame Entertainment Co. Limited ("Black Sesame")	Hong Kong	HK\$10,001,001	70	70	Production of drama and musical performances, artist management and music intellectual property rights management
Black Sesame Entertainment (Beijing) Co. Limited ("Black Sesame (Beijing)") 黑芝麻娛樂文化(北京)有限公司 (i) (ii) & (v)	People's Republic of China (the "PRC")/ Mainland China	US\$900,000	70	–	Production of drama and musical performance, artist management and music intellectual property rights management
Grand Rich (Asia) Company Limited	Hong Kong	HK\$100	100	100	Holding of a club membership
Luck Point Investments Limited (i)	British Virgin Islands	US\$200	100	100	Investment holding
Sage Dignity Services Limited	Hong Kong	HK\$100	100	100	Provision of administrative services
Sage Eternity Gem Services Limited ("Sage Eternity") (iii)	Hong Kong	HK\$1	–	100	Sale of eternity gem products

## Notes to Financial Statements

31 December 2017

## 1. CORPORATE AND GROUP INFORMATION (Continued)

## Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2017	2016	
Sage Funeral Services Limited	Hong Kong	HK\$17	100	100	Operation of funeral business
Sun Entertainment Asia Limited	Hong Kong	HK\$1	100	100	Investments in concert projects
Sun Motion Pictures Limited	Hong Kong	HK\$1	100	100	Production of online drama
Sunny Side up (BVI) Limited (i)	British Virgin Islands	US\$100	100	100	Investment holding and investment in film production project
Sunny Side up (Never) Limited	Hong Kong	HK\$100	100	100	Investments in concert and film production projects
Luz Limited	Hong Kong	HK\$100	100	–	Production of film
Huai Ji Luck Mountain Funeral Parlor Limited ("Huai Ji") 懷集萬福山殯儀館有限公司 (i), (ii), (iv) & (v)	PRC/Mainland China	RMB10,500,000	100	100	Operation of cremation and funeral business

## Notes:

- (i) Their statutory financial statement were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.
- (ii) Registered as a wholly-foreign-owned enterprise under PRC law.
- (iii) During the year, the Group and Konnection Global Ltd. entered into a sale and purchase agreement, pursuant to which the Group agreed to sell its entire equity interest in Sage Eternity and assign a loan of approximately HK\$1.3 million due to the Group by Sage Eternity, for a total consideration of HK\$3 million. The disposal was completed in July 2017.
- (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) English name is for identification purpose only.

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.

## Notes to Financial Statements

31 December 2017

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for an investment in a film right, investments in concert and film production projects and other investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Notes to Financial Statements**

31 December 2017

## 2.1 BASIS OF PREPARATION *(Continued)*

### **Basis of consolidation** *(Continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (a) the fair value of the consideration received, (b) the fair value of any investment retained and (c) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7

*Disclosure Initiative*

Amendments to HKAS 12

*Recognition of Deferred Tax Assets for Unrealised Losses*

Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*

*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

## Notes to Financial Statements

31 December 2017

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions<sup>1</sup></i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts<sup>1</sup></i>
HKFRS 9	<i>Financial Instruments<sup>1</sup></i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation<sup>2</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
HKFRS 15	<i>Revenue from Contracts with Customers<sup>1</sup></i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers<sup>1</sup></i>
HKFRS 16	<i>Leases<sup>2</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>3</sup></i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures<sup>2</sup></i>
Amendments to HKAS 40	<i>Transfers of Investment Property<sup>1</sup></i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration<sup>1</sup></i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments<sup>2</sup></i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28 <sup>1</sup>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to a number of HKFRSs <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> No mandatory effective date yet determined but available for adoption

Further information about certain HKFRSs that are expected to be applicable to the Group is described below. Of those standards, HKFRS 9 and HKFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have certain impact upon adoption. Whilst management has performed a high-level assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.



## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a high-level assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

### (a) Classification and measurement

HKFRS 9 introduces, among other things, new requirements for classification and measurement of the Group's financial assets. Available-for-sale with gains and losses recorded in other comprehensive income will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss.

### (b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group currently expects the provision for impairment might increase upon the initial adoption of the standard.

**Notes to Financial Statements**

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**2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS** *(Continued)***(b) Impairment** *(Continued)*

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group currently expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 might not be material. During 2017, the Group has performed a high-level assessment on the impact of the adoption of HKFRS 15.

The revenue from certain of the Group's principal activities that might be affected by HKFRS 15 consist of provision of funeral and deathcare related services, film/drama production, organisation of entertainment events and artiste management. The Group does not expect the adoption of HKFRS 15 will have a significant financial effect on its financial upon initial adoption. However, the presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### (b) Impairment *(Continued)*

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019.

The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 31 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK\$2,147,000. Upon adoption of HKFRS 16, the amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

**Notes to Financial Statements***31 December 2017***2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Fair value measurement**

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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



**Notes to Financial Statements**

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

**Notes to Financial Statements**

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3 <sup>1</sup> / <sub>3</sub> % – 10%
Leasehold improvements	20%
Machinery	5% – 10%
Furniture and equipment	20% – 33 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	10% – 33 <sup>1</sup> / <sub>3</sub> %

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

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

**Notes to Financial Statements**

31 December 2017

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

**Operating rights**

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

**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.

**Film and drama under production**

Films and drama under production, include film and drama in development, pre-production and production in the creation of film or drama, are accounted for on a project-by-project basis are stated at cost less any impairment losses. Upon completion and release, these film and drama under production are reclassified as film and drama products.

An impairment loss is made if there has been a change in the estimates used to determine the recoverable amount and the carrying amount exceeds the recoverable amount.

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

### **Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

### **Investments and other financial assets**

#### ***Initial recognition and measurement***

Financial assets (including investment in a film right, investments in concert and film production projects and other investments) are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

#### ***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

**Notes to Financial Statements**

31 December 2017

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Investments and other financial assets (Continued)****Subsequent measurement (Continued)***Financial assets at fair value through profit or loss (Continued)*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

If the Group is required by HKAS 39 to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, it shall designate the entire hybrid (combined) contract as at fair value through profit or loss.

If the Group is unable to measure reliably the fair value of an embedded derivative on the basis of its terms and conditions (for example, because the embedded derivative is based on an equity instrument that does not have a quoted price in an active market for an identical instrument, i.e., a Level 1 input), the fair value of the embedded derivative is the difference between the fair value of the hybrid (combined) instrument and the fair value of the host contract. If the Group is unable to measure the fair value of the embedded derivative using this method, the hybrid (combined) instrument is designated as at fair value through profit or loss.

*Loan and receivables*

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



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

### **Investments and other financial assets** *(Continued)*

#### ***Subsequent measurement*** *(Continued)*

##### *Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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.

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

### **Impairment of financial assets** *(Continued)*

#### ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

#### ***Assets carried at cost***

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

**Notes to Financial Statements**

31 December 2017

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Impairment of financial assets (Continued)****Available-for-sale financial investments**

For investment in a film right and other investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

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

### **Financial liabilities**

#### ***Initial recognition and measurement***

Financial liabilities of the Group are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

#### ***Subsequent measurement of loans and borrowings***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss.

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Notes to Financial Statements**

31 December 2017

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

**Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss.

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



**Notes to Financial Statements**

31 December 2017

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

### **Income tax** *(Continued)*

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**Notes to Financial Statements**

31 December 2017

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Income tax (Continued)**

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit and loss over the expected useful life of the relevant asset by equal annual instalments.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) cremation, funeral arrangement and funeral services income, when the relevant services are rendered;
- (b) management service income from managing cemeteries, on a time proportion basis over the term of the arrangement;
- (c) the sale of goods (including sales of Eternity Gem products), when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (d) artiste performance, artiste management and other related income, when the relevant services are rendered;
- (e) entertainment events income, when the events are completed; and

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

### Revenue recognition *(Continued)*

- (f) interest income, 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.

### Share-based payment

The Company operates a share options scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model, further details of which are given in note 26 to the financial statements.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

**Notes to Financial Statements**

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Share-based payment (Continued)**

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

**Employee benefits****Pension schemes**

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 5% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

**Notes to Financial Statements**

31 December 2017

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Foreign currencies**

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

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

**Notes to Financial Statements**

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**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

**Income taxes**

Significant judgement is involved in determining the provision for income taxes. Determining income tax provisions involves judgements on the future tax treatments of certain transactions and interpretation of relevant tax legislation, interpretations and practices in respect thereof. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation, interpretations and practices in respect thereof.

**Estimation uncertainty**

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

***Impairment of non-financial assets***

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 13 to the financial statements.



**Notes to Financial Statements**

31 December 2017

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)****Estimation uncertainty (Continued)****Share-based payment in relation to the investment in a film production project**

For a share-based payment transaction in relation to the investment in a film production project, the Group measured the cost of the investment at its fair value of approximately HK\$26.7 million, based on a valuation as determined by a firm of independent professional valuers. The valuation of the investment involves significant judgement, estimates and assumptions, including, among others, selecting appropriate valuation methodology/techniques and assessing the relevance and appropriateness of historical data, estimates and assumptions as well as available market information for the valuation approach. Further details are given in note 15 to the financial statements.

**Impairment of loans and receivables**

The Group assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors including, inter alia, the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments as well as other arrangements or available information.

The Group maintains an allowance for estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on management's cumulative knowledge of the regional markets in which the Group transacts, the aging of its receivable balances, debtors' creditworthiness and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

**Share options**

The valuation of the fair value of the share options 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 income statement in the subsequent remaining vesting period of the relevant share options.

**Notes to Financial Statements***31 December 2017***4. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the funeral services segment primarily engages in the provision of funeral and cremation services and deathcare related business; and
- (b) the media and entertainment segment primarily engages in the investment in and production of films and concerts and entertainment related businesses.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that head office and corporate expenses are excluded from such measurement.

Segment assets exclude certain property, plant and equipment, club membership, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

## Notes to Financial Statements

31 December 2017

## 4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2017/At 31 December 2017

	Funeral services HK\$'000	Media and entertainment HK\$'000	Total HK\$'000
<b>Segment revenue:</b>			
Sales to external customers	15,191	79,306	94,497
<b>Segment results</b>	3,358	1,513	4,871
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(23,379)
Loss before tax			(18,508)
<b>Segment assets</b>	26,815	67,391	94,206
<i>Reconciliation:</i>			
Corporate and other unallocated assets			20,953
Total assets			115,159
<b>Segment liabilities</b>	(8,346)	(2,267)	(10,613)
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			(10,255)
Total liabilities			(20,868)
<b>Other segment information:</b>			
Depreciation	1,622	66	1,688
Gain on disposal of a subsidiary	2,659	–	2,659
Impairment of other receivables	145	–	145
Capital expenditure*	1,616	42	1,658

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

## Notes to Financial Statements

31 December 2017

## 4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2016/At 31 December 2016

	Funeral services HK\$'000	Media and entertainment HK\$'000	Total HK\$'000
<b>Segment revenue:</b>			
Sales to external customers	16,311	–	16,311
Others	–	(24)	(24)
	16,311	(24)	16,287
<b>Segment results</b>	(8,459)	(3,836)	(12,295)
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(5,628)
Loss before tax			(17,923)
<b>Segment assets</b>	23,054	18,315	41,369
<i>Reconciliation:</i>			
Corporate and other unallocated assets			24,558
Total assets			65,927
<b>Segment liabilities</b>	(7,187)	(75)	(7,262)
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			(10,304)
Total liabilities			(17,566)
<b>Other segment information:</b>			
Depreciation	1,266	12	1,278
Capital expenditure*	3,256	297	3,553

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

## Notes to Financial Statements

31 December 2017

4. OPERATING SEGMENT INFORMATION *(Continued)*

## Geographical information

*(a) Revenue from external customers*

	2017 HK\$'000	2016 HK\$'000
Hong Kong	7,043	7,864
Macau	77,858	–
Mainland China	9,596	8,447
	<b>94,497</b>	16,311

The revenue information above is based on the locations where the relevant sales took place/underlying services were rendered.

*(b) Non-current assets*

	2017 HK\$'000	2016 HK\$'000
Hong Kong	7,819	9,470
Mainland China	21,481	19,638
	<b>29,300</b>	29,108

The non-current assets information above is based on the locations of the assets and excludes financial instruments.

**Information about major customers***Year ended 31 December 2017*

The Group did not have revenues from any single customer, which accounted for 10% or more of the total revenue of the Group for the year ended 31 December 2017.

*Year ended 31 December 2016*

The Group has revenue from a major customer reported under the funeral services operating segment of HK\$1,800,000, which accounted for 10% or more of the total revenue of the Group for the year ended 31 December 2016.

## Notes to Financial Statements

31 December 2017

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	2017 HK\$'000	2016 HK\$'000
<b>Revenue</b>		
Rendering of funeral and cremation services	11,240	11,637
Sales of eternity gem products	1,251	2,874
Management service income	2,700	1,800
Entertainment event income	77,858	–
Artiste performance, artiste management and other related income	698	–
Others	750	(24)
	<b>94,497</b>	16,287
<b>Other income and gains</b>		
Gain on disposal of a subsidiary (note 29)	2,659	–
Gross rental income	31	105
Reversal of provision for impairment of other receivables (note 20)	–	4,500
Gain on investments in media and entertainment related projects	2,099	–
Others	488	568
	<b>5,277</b>	5,173



## Notes to Financial Statements

31 December 2017

## 6. LOSS BEFORE TAX

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

	Notes	2017 HK\$'000	2016 HK\$'000
Cost of inventories sold		850	880
Depreciation	12	3,232	1,998
Minimum lease payments under operating leases		2,422	4,586
Auditor's remuneration:			
Charge for the year		1,900	1,100
Underprovision in prior year		200	–
Employee benefit expense (including directors' and chief executive's remuneration (note 7)):			
Wages, salaries, bonuses and allowances		10,110	11,150
Equity-settled share-based payment expenses		579	3,436
Pension scheme contributions (defined contribution schemes) #		235	590
		<b>10,924</b>	15,176
Loss on disposal of items of property, plant and equipment (Reversal of impairment)/impairment of intangible assets^	13	11	47
Impairment of other receivables	20	(250)	1,200
Other equity-settled share-based payment expenses*	30	145	291
Other equity-settled share-based payment expenses*		12,202	–
Share of net income from entertainment event organised by the Group to co-investors*		11,449	–
Foreign exchange differences, net		109	17
Amortisation of deferred income of government grant		(424)	(269)

Notes:

# At 31 December 2017, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years (2016: Nil).

^ Included in "General and administrative expenses" in the consolidated statement of profit or loss.

\* Included in "Other expenses" in the consolidated statement of profit or loss.

## Notes to Financial Statements

31 December 2017

## 7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Group	
	2017 HK\$'000	2016 HK\$'000
Fees	540	540
Other emoluments:		
Salaries and allowances	635	540
Equity-settled share option expense	52	25
Pension scheme contributions	32	27
	719	592
	1,259	1,132

In the prior year, a director was granted share options, in respect of his service to the Group, under the share option scheme of the Company, further details of which are set out in note 26 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

## Notes to Financial Statements

31 December 2017

## 7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

## (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2017 HK\$'000	2016 HK\$'000
Mr. Chan Wai Man	180	180
Mr. Siu Hi Lam, Alick	180	180
Mr. Ting Kit Lun	180	180
	<b>540</b>	540

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

## (b) Executive directors and the chief executive

	Salaries and allowances HK\$'000	Equity- settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2017				
<i>Executive director, chairman and chief executive:</i>				
Mr. Chui Bing Sun	180	–	9	189
<i>Executive directors:</i>				
Mr. Dong Choi Chi, Alex	180	–	9	189
Mr. Yao Kan Shan	275	52	14	341
	<b>635</b>	<b>52</b>	<b>32</b>	<b>719</b>

## Notes to Financial Statements

31 December 2017

## 7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

## (b) Executive directors and the chief executive (Continued)

	Salaries and allowances HK\$'000	Equity-settled share option expenses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2016				
<i>Executive director, chairman and chief executive:</i>				
Mr. Chui Bing Sun	180	–	9	189
<i>Executive directors:</i>				
Mr. Dong Choi Chi, Alex	180	–	9	189
Mr. Yao Kan Shan	180	25	9	214
	540	25	27	592

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

## 8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include any director. Details of the remuneration of the five (2016: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and allowances	4,889	3,196
Equity-settled share option expense	149	48
Pension scheme contributions	90	86
	5,128	3,330

## Notes to Financial Statements

31 December 2017

## 8. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

	Number of employees	
	2017	2016
Nil to HK\$1,000,000	3	4
HK\$1,000,001 to HK\$1,500,000	2	1
	5	5

During the year, no emolument was paid or payable by the Group to the non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office (2016: Nil).

During the year and in prior years, share options were granted to non-director and non-chief executive highest paid employees in respect of his services to the Group, further details of which are included in the disclosures in note 26 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

## 9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax was made for the prior year as the Group did not generate any assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2017	2016
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	1,009	–
Current – Elsewhere		
Charge for the year	109	189
Underprovision in prior years	283	102
Total tax charge for the year	1,401	291

## Notes to Financial Statements

31 December 2017

## 9. INCOME TAX (Continued)

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

	2017 HK\$'000	2016 HK\$'000
Loss before tax	<b>(18,508)</b>	(17,923)
Tax at the Hong Kong statutory tax rate of 16.5% (2016: 16.5%)	<b>(3,054)</b>	(2,957)
Higher tax rate for specific locations or enacted by local authority	<b>2,845</b>	648
Adjustments in respect of current tax of previous periods	<b>283</b>	102
Income not subject to tax	<b>(582)</b>	(71)
Expenses not deductible for tax	<b>486</b>	950
Tax losses not recognised	<b>1,645</b>	1,602
Others	<b>(222)</b>	17
Tax charge at the Group's effective rate	<b>1,401</b>	291

## 10. DIVIDEND

The board of directors of the Company does not recommend the payment of any dividend in respect of the year (2016: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of approximately 1,028,512,000 (2016: 784,550,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the impact of the share options outstanding had an anti-diluted effect on the basic loss per share amounts presented.



## Notes to Financial Statements

31 December 2017

## 12. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>31 December 2017</b>						
At 31 December 2016 and at 1 January 2017:						
Cost	10,227	4,732	3,922	2,260	5,327	26,468
Accumulated depreciation and impairment	(4,395)	(101)	(1,529)	(168)	(1,653)	(7,846)
Net carrying amount	5,832	4,631	2,393	2,092	3,674	18,622
At 1 January 2017, net of accumulated depreciation and impairment	5,832	4,631	2,393	2,092	3,674	18,622
Additions	45	324	933	68	621	1,991
Disposals	-	-	-	(11)	-	(11)
Disposal of a subsidiary	-	(96)	(80)	(62)	-	(238)
Depreciation provided during the year	(366)	(935)	(337)	(424)	(1,170)	(3,232)
Exchange realignment	444	125	138	11	37	755
At 31 December 2017, net of accumulated depreciation and impairment	5,955	4,049	3,047	1,674	3,162	17,887
At 31 December 2017:						
Cost	11,159	5,024	4,332	2,208	6,004	28,727
Accumulated depreciation and impairment	(5,204)	(975)	(1,285)	(534)	(2,842)	(10,840)
Net carrying amount	5,955	4,049	3,047	1,674	3,162	17,887

## Notes to Financial Statements

31 December 2017

## 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK\$'000	Leasehold improvements HK\$'000	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>31 December 2016</b>						
At 1 January 2016:						
Cost	10,992	418	3,000	410	1,886	16,706
Accumulated depreciation and impairment	(4,414)	(26)	(1,181)	(70)	(705)	(6,396)
Net carrying amount	6,578	392	1,819	340	1,181	10,310
At 1 January 2016, net of accumulated depreciation and impairment						
	6,578	392	1,819	340	1,181	10,310
Additions	29	4,417	1,132	1,865	3,599	11,042
Disposals	–	–	–	–	(47)	(47)
Depreciation provided during the year	(365)	(75)	(414)	(103)	(1,041)	(1,998)
Exchange realignment	(410)	(103)	(144)	(10)	(18)	(685)
At 31 December 2016, net of accumulated depreciation and impairment	5,832	4,631	2,393	2,092	3,674	18,622
At 31 December 2016:						
Cost	10,227	4,732	3,922	2,260	5,327	26,468
Accumulated depreciation and impairment	(4,395)	(101)	(1,529)	(168)	(1,653)	(7,846)
Net carrying amount	5,832	4,631	2,393	2,092	3,674	18,622

## Notes to Financial Statements

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## 13. INTANGIBLE ASSETS

	Operating rights HK\$'000	Club membership HK\$'000	Total HK\$'000
<b>31 December 2017</b>			
Cost at 1 January 2017, net of accumulated impairment	8,986	1,500	10,486
Reversal of impairment during the year	–	250	250
Exchange realignment	677	–	677
At 31 December 2017	9,663	1,750	11,413
At 31 December 2017:			
Cost	9,663	2,900	12,563
Accumulated impairment	–	(1,150)	(1,150)
Net carrying amount	9,663	1,750	11,413
<b>31 December 2016</b>			
At 1 January 2016:			
Cost	9,607	2,900	12,507
Accumulated impairment	–	(200)	(200)
Net carrying amount	9,607	2,700	12,307
Cost at 1 January 2016, net of accumulated impairment	9,607	2,700	12,307
Impairment during the year	–	(1,200)	(1,200)
Exchange realignment	(621)	–	(621)
At 31 December 2016	8,986	1,500	10,486
At 31 December 2016:			
Cost	8,986	2,900	11,886
Accumulated impairment	–	(1,400)	(1,400)
Net carrying amount	8,986	1,500	10,486

**Notes to Financial Statements**

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**13. INTANGIBLE ASSETS (Continued)****Impairment testing of intangible assets with indefinite useful lives**

The impairment testing compares the carrying amount of an individual intangible asset or the cash-generating unit to which an intangible asset belongs with its recoverable amount as determined based on a value-in-use calculation, with the exception of a club membership whose recoverable amount was determined using fair value less costs of disposal based on quoted market prices (Level 1 within the fair value hierarchy less incremental costs for disposing of the asset).

**Operating rights**

The recoverable amount of the cash-generating unit (the "CGU") to which the operating rights belongs in relation to certain cremation business of the Group has been determined based on a value-in-use calculation using cash flow projections based on financial budget/forecasts covering a five-year period approved by management. The discount rate applied to the cash flow projections is 14% (2016: 14%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2016: 3%).

Assumptions were used in the value in use calculation of the recoverable amount of the CGU for 31 December 2016 and 31 December 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

**Budgeted/forecasted revenue and results of operations**—The basis used to determine the value assigned to the budgeted/forecasted revenue and results of operations is the revenue and results of operations achieved in the year immediately before the budget/forecast year, adjusted for, among others, expected market development.

**Discount rate**—The discount rate used is before tax and reflects specific risks relating to the CGU.

During the current year, a reversal of impairment of HK\$250,000 was recognised for a club membership, as the recoverable amount thereof was higher than its net carrying amount of HK\$1,500,000 (before reversing the impairment loss) as at 31 December 2017 (note 6).

During the prior year, an impairment of HK\$1,200,000 was recognised for the club membership, as the then recoverable amount thereof was lower than its carrying amounts of HK\$2,700,000 (before deducting the impairment loss) as at 31 December 2016 (note 6).

## Notes to Financial Statements

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## 14. INVESTMENT IN A FILM RIGHT

	2017	2016
	HK\$'000	HK\$'000
Investment in a film right	7,769	7,769

During the year ended 31 December 2016, the Group entered into an investment agreement to invest in the development/production of a motion picture film for a cash consideration of US\$1 million, which entitles the Group to certain rights in connection with the investment, production and revenues of the film. Pursuant to the investment agreement, the Group is entitled to, among others, the right to recoup its investment amount and to share certain revenues of the film attributable to the Group in accordance with the terms of the investment agreement. The film is still under development and the Group considers the carrying amount of the investment appropriates its fair value at the end of the reporting period. The Group does not intend to dispose of the investment in the near future.

The Group's investment in a film right was designated as available-for-sale financial assets and has no fixed maturity or coupon rate.

## 15. INVESTMENTS IN CONCERT AND FILM PRODUCTION PROJECTS

	2017	2016
	HK\$'000	HK\$'000
Investments in concert and film production projects:		
Additions during the year end at 31 December	34,386	–

**Investment in a film production project**

During the year ended 31 December 2017, the Group entered into an investment agreement (the "Investment Agreement") with Sun Entertainment Films Limited ("Sun Entertainment"), a company beneficially owned by Mr. Dong Choi Chi, Alex, an executive director and substantial shareholder of the Company, for the investment (the "Investment") in the production of a motion picture film (the "Film"). Pursuant to the Investment Agreement, the Group is entitled to 20% of the right to the "Distributable Distribution Net Income" (as defined in the Investment Agreement, being the income generated from the global distribution of the Film and other income generated from the Film, less relevant distribution costs, withholding tax (if any) and a production bonus to the production company of the Film).

**Notes to Financial Statements**

31 December 2017

**15. INVESTMENTS IN CONCERT AND FILM PRODUCTION PROJECTS *(Continued)***

In addition, pursuant to the Investment Agreement, Sun Entertainment has irrevocable warranted and undertaken that if, in any event, the production of the Film could not be finished and the Film could not be released on or before 31 December 2018, Sun Entertainment should compensate the Group in an amount of approximately HK\$26.27 million (the "Guarantee Amount"); and if, within two years from the date of the first release of the Film, the Distributable Distribution Net Income received by the Group is less than the Guarantee Amount, Sun Entertainment should pay to the Group in advance the difference between the Guarantee Amount and the Distributable Distribution Net Income actually received by the Group. Such payment in advance is non-refundable in any events but can be used for offsetting the Distributable Distribution Net Income payable by Sun Entertainment to the Group thereafter in the future if any.

Pursuant to the Investment Agreement, the Company allotted and issued certain new shares of the Company as consideration for the underlying arrangement as further detailed in note 30 to the financial statements.

As the acquisition of the Investment is part of an equity-settled share-based payment transaction, the Group measured, at initial recognition, the cost of the Investment at fair value, based on a valuation as determined by a firm of independent professional valuers of approximate HK\$26.7 million.

The production of the Film was completed and had theatrical releases in its primary markets during the year. The carrying amount at 31 December 2017 represented the fair value of the estimated net future cash flows from the Film attributable to the Group.

**Investments in concert projects**

During the year ended 31 December 2017, the Group entered into several investment agreements to invest in the production/organisation of three music concerts, which entitle the Group to, among others, the right to recoup its investment amounts and to share net profit or loss of the respective concerts attributable to the Group, as appropriate, in accordance with the terms of the respective investment agreements. The Group measured, at initial recognition, the cost of these investments based on the cash consideration for these investments.

Two of the concerts were completed during the year and the carrying amount at 31 December 2017 represented the fair value of the net proceeds receivables from these concerts attributable to the Group. The remaining concert was still under preparation at 31 December 2017 and is scheduled to take place in early 2018, and the Group considers the carrying amount of the investment appropriates its fair value at the end of the reporting period.



**Notes to Financial Statements**

31 December 2017

**15. INVESTMENTS IN CONCERT AND FILM PRODUCTION PROJECTS (Continued)**

As appropriate, the Group's investments in concerts and film production projects are classified as financial assets at fair value through profit or loss either because they are designated as such upon initial recognition or the Group is unable to measure the fair value of its embedded derivative and, therefore the hybrid (combined) instrument is designated as at fair value through profit or loss.

Investments in concert and film production projects were designated upon initial recognition as at fair value through profit or loss if they fit the Group's investment strategy. In the opinion of the directors, such measurement basis is appropriate as such investments are managed and their performance are evaluated on a fair value basis, in accordance with a documented investment strategy which also focuses on such fair value attributes, and information about the investments is provided internally on that basis to the Group's key management personnel.

**16. OTHER INVESTMENTS**

	2017 HK\$'000	2016 HK\$'000
Other investments	–	3,254

During the year ended 31 December 2016, the Group entered into agreements with two independent third parties to invest 5% and 10% interest respectively in two concerts. The Group was entitled to recover its investment amount and shared the net profit or loss according to its contribution proportion. Both concerts were completed during the year ended 31 December 2016 and the carrying amount at 31 December 2016 represented the net proceeds receivables from these concerts.

The Group's other investments were designated as available-for-sale financial assets and have no fixed maturity or coupon rate.

**17. INVENTORIES**

	2017 HK\$'000	2016 HK\$'000
Funeral related merchandises	57	294

## Notes to Financial Statements

31 December 2017

## 18. TRADE RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	857	1,993

The Group's trading terms with its credit sales customers are generally 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of customers, there is no significant concentration of credit risk at 31 December 2017. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date or equivalent, is as follows:

	2017 HK\$'000	2016 HK\$'000
Within 1 month	822	1,809
1 to 2 months	–	140
2 to 3 months	–	21
Over 3 months	35	23
	<b>857</b>	<b>1,993</b>

## Notes to Financial Statements

31 December 2017

## 18. TRADE RECEIVABLES (Continued)

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 HK\$'000	2016 HK\$'000
Neither past due nor impaired	814	1,809
Less than 1 month past due	8	140
1 to 3 months past due	33	44
Over 3 months past due	2	–
	<b>857</b>	1,993

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade receivables at 31 December 2016 was an amount due from a related company, which is controlled by a director of the Company, of approximately HK\$900,000 as at 31 December 2016.

## 19. FILM AND DRAMA UNDER PRODUCTION

	2017 HK\$'000	2016 HK\$'000
Film and drama under production:		
Additions during the year end balance at 31 December	<b>4,759</b>	–

## Notes to Financial Statements

31 December 2017

## 20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK\$'000	HK\$'000
Prepayments	6,593	286
Deposits	700	572
Other receivables	7,266	5,396
Amount due from a director of a subsidiary	291	291
	<b>14,850</b>	6,545
Impairment	<b>(5,796)</b>	(5,651)
	<b>9,054</b>	894
Less: Non-current portion	<b>(108)</b>	(450)
Current portion	<b>8,946</b>	444

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	2017	2016
	HK\$'000	HK\$'000
At beginning of year	5,651	9,860
Impairment loss recognised (note 6)	145	291
Impairment loss reversed (note 5)	–	(4,500)
At 31 December	<b>5,796</b>	5,651

Included in the above provision for prepayments, deposits and other receivables is a provision for individually impaired receivables of HK\$5,796,000 (2016: HK\$5,651,000) with a gross carrying amount of HK\$5,796,000 (2016: HK\$5,651,000). The individually impaired receivables related to the portions of prepayments, deposits and other receivables that were not expected to be recovered. Except for the above, the remaining balances were neither past due nor impaired relating to a number of debtors for whom there was no recent history of default.

Included in the Group's other receivables is an amount due from a company, controlled by a daughter of a key management personnel of a subsidiary, of approximately HK\$286,000 as at 31 December 2017 (2016: Nil). The amount is unsecured, interest-free and has no fixed terms of repayment.

The amount due from a director of a subsidiary of HK\$291,000 has been fully impaired as the balance has been past due and unsecured. The director is not able to provide the relevant financial information to support its financial viability.

## Notes to Financial Statements

31 December 2017

## 21. CASH AND CASH EQUIVALENTS

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$3,809,000 (2016: HK\$394,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## 22. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK\$'000	HK\$'000
Trade payables	339	236
Other payables and accruals	4,523	5,272
Amount due to a director	480	208
Receipts in advance	357	731
	<b>5,699</b>	6,447

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017	2016
	HK\$'000	HK\$'000
Within 30 days	204	92
31-60 days	22	13
61-90 days	15	21
Over 90 days	98	110
	<b>339</b>	236

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

The amount due to a director is unsecured, interest free and has no fixed terms of repayment.

## Notes to Financial Statements

31 December 2017

## 23. DEFERRED INCOME

	2017	2016
	HK\$'000	HK\$'000
Deferred income*	4,837	2,796
Less: non-current portion	(3,608)	(2,484)
Current portion	1,229	312

\* Various government grants have been received for purchasing of related machines/equipment for cremation business to encourage the Group to invest in cremation business. Upon the receipt of government grants, the Group recognises these grants as deferred income, which will be amortised and recognised as other income over the useful life of respective property, plant and equipment. There are no unfulfilled conditions or contingencies relating to these grants.

## 24. DEFERRED TAX

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

## Deferred tax liabilities

	2017	2016	2015
	Depreciation allowance in excess of related depreciation	Fair value adjustments arising from acquisition of subsidiaries	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017	602	2,247	2,849
Deferred tax credited to profit or loss during the year	(241)	–	(241)
Exchange realignment	–	169	169
Gross deferred tax liabilities at 31 December 2017	361	2,416	2,777



## Notes to Financial Statements

31 December 2017

24. DEFERRED TAX *(Continued)*

## Deferred tax assets

	2017 Losses available for offsetting against future taxable profits HK\$'000
At 1 January 2017	602
Deferred tax charged to profit or loss during the year	(241)
Gross deferred tax assets at 31 December 2017	<b>361</b>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2017 HK\$'000
Gross deferred tax assets	361
Gross deferred tax liabilities	(2,777)
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>(2,416)</b>

## Notes to Financial Statements

31 December 2017

## 24. DEFERRED TAX (Continued)

## Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK\$'000	2016 Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Total HK\$'000
At 1 January 2016	–	2,401	2,401
Deferred tax charged to profit or loss during the year	602	–	602
Exchange realignment	–	(154)	(154)
Gross deferred tax liabilities at 31 December 2016	602	2,247	2,849

## Deferred tax assets

	2016 Losses available for offsetting against future taxable profits HK\$'000
At 1 January 2016	–
Deferred tax credited to profit or loss during the year	602
Gross deferred tax assets at 31 December 2016	602

## Notes to Financial Statements

31 December 2017

## 24. DEFERRED TAX (Continued)

## Deferred tax assets (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2016 HK\$'000
Gross deferred tax assets	602
Gross deferred tax liabilities	(2,849)
<hr/>	
Net deferred tax liabilities recognised in the consolidated statement of financial position	(2,247)

Deferred 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 has tax losses arising in Hong Kong of HK\$48,550,000 (2016: HK\$38,579,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is currently not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 25. SHARE CAPITAL

## Shares

	2017 HK\$'000	2016 HK\$'000
Authorised:		
3,200,000,000 shares of HK\$0.025 each	<b>80,000</b>	80,000
<hr/>		
Issued and fully paid:		
1,157,798,007 (2016: 828,605,695) ordinary shares of HK\$0.025 each	<b>28,945</b>	20,715

## Notes to Financial Statements

31 December 2017

## 25. SHARE CAPITAL (Continued)

## Shares (Continued)

A summary of movements in the Company's issued capital is as follows:

	Notes	Number of shares in issue '000	Issued capital HK\$'000
At 1 January 2016		<b>690,606</b>	17,265
Issue of shares upon placement	(i)	<b>138,000</b>	3,450
At 31 December 2016 and at 1 January 2017		<b>828,606</b>	20,715
Issue of share upon placement	(ii)	<b>165,000</b>	4,125
Equity-settled share-based payment transaction	(iii)	<b>164,192</b>	4,105
At 31 December 2017		<b>1,157,798</b>	28,945

- (i) On 8 June 2016, the Company allotted and issued 138,000,000 new ordinary shares of the Company of HK\$0.025 each through a share placement to several independent third parties at a placing price of HK\$0.14 per placing share. The net proceeds were approximately HK\$18,810,000.
- (ii) On 24 March 2017, the Company allotted and issued 165,000,000 new ordinary shares of the Company of HK\$0.025 each through a share placement to several independent third parties at a placing price of HK\$0.16 per placing share, for a total consideration before expenses, of HK\$26,400,000. The net proceeds were approximately HK\$25,556,000.
- (iii) On 25 July 2017, the Company issued 164,192,312 new ordinary shares pursuant to the Investment Agreement, measured by reference to the grant date fair value of the Company's ordinary shares, to settle certain equity-settled share-based payment transactions in the aggregate amount of approximately HK\$38,914,000 as further detailed in notes 15 and 30 to the financial statements.

## Notes to Financial Statements

31 December 2017

## 26. EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

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.

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

	2017		2016	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At 1 January	1.889	17,225,677	3.327	9,325,677
Granted during the year	0.200	6,900,000	0.192	7,900,000
Forfeited during the year	1.298	(1,982,843)	–	–
At 31 December	1.416	22,142,834	1.889	17,225,677

## Notes to Financial Statements

31 December 2017

26. EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS *(Continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

## 2017

Number of options	Exercise price HK\$ per share	Exercise period
62,211	6.982	15 February 2008 – 14 February 2018
981,034	1.784	7 July 2010 – 6 July 2020
708,259	4.912	12 August 2010 – 11 August 2020
765,686	4.474	13 September 2010 – 12 September 2020
135,430	4.137	6 September 2010– 5 September 2020
430,698	4.791	9 September 2010 – 8 September 2020
693,903	4.455	3 December 2010 – 2 September 2020
2,105,640	4.175	22 March 2011 – 21 March 2021
1,435,662	2.372	5 December 2011 – 4 December 2021
1,624,311	1.102	18 January 2013 – 17 January 2023
6,300,000	0.188	11 April 2017 – 10 April 2026
6,900,000	0.200	25 January 2020 – 24 January 2027
22,142,834		



## Notes to Financial Statements

31 December 2017

## 26. EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS (Continued)

2016

Number of options	Exercise price HK\$ per share	Exercise period
382,843	5.846	14 December 2007 – 13 December 2017
62,211	6.982	15 February 2008 – 14 February 2018
981,034	1.784	7 July 2010 – 6 July 2020
708,259	4.912	12 August 2010 – 11 August 2020
765,686	4.474	13 September 2010 – 12 September 2020
135,430	4.137	6 September 2010 – 5 September 2020
430,698	4.791	9 September 2010 – 8 September 2020
693,903	4.455	3 December 2010 – 2 September 2020
2,105,640	4.175	22 March 2011 – 21 March 2021
1,435,662	2.372	5 December 2011 – 4 December 2021
1,624,311	1.102	18 January 2013 – 17 January 2023
1,500,000	0.211	22 August 2019 – 21 August 2026
6,400,000	0.188	11 April 2017 – 10 April 2026
17,225,677		

The fair value of the share options granted during the year was HK\$847,000 (HK\$0.2 each) (2016: HK\$913,000, HK\$0.19 each), of which the Group recognized share option expense of HK\$579,000 (2016: HK\$435,000) during the year ended 31 December 2017.

## Notes to Financial Statements

31 December 2017

26. EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS *(Continued)*

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

	2017	2016
Dividend yield (%)	–	–
Expected volatility (%)	<b>80.90</b>	83.93 – 86.03
Risk-free interest rate (%)	<b>1.84</b>	0.91 to 1.26
Expected life of options (year)	<b>7</b>	7 to 10
Weighted average share price (HK\$ per share)	<b>0.2</b>	0.19

The expected life of the options is based on the historical exercise patterns and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

6,900,000 (2016: 7,900,000) share options were granted during the year ended 31 December 2017. No share options were exercised during the year ended 31 December 2017 (2016: Nil). The fair value of the share options granted during the year was HK\$847,000 (2016: HK\$913,000).

Share options expenses of HK\$579,000 was recognised in the statement of profit or loss during the year (2016: HK\$435,000) and the corresponding amount has been credited to the share-based payment reserve.

At the end of reporting period, the Company had 22,142,834 (2016: 17,225,677) share options outstanding under the Share Options Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 22,142,834 (2016: 17,225,677) additional ordinary shares of the Company and additional share capital of HK\$544,000 (2016: HK\$430,000) and share premium of HK\$30,796,000 (2016: HK\$32,112,000).

**Notes to Financial Statements**

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**26. EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS (Continued)**

Subsequent to the end of the reporting period, on 23 January 2018, Heading Champion Limited (the "Offeror") and the Company jointly announced that the Offeror would make voluntary conditional cash offers (i) to acquire all of the issued ordinary shares of the Company (other than those already owned by the Offeror and the parties acting in concert with it); and (ii) to cancel all the outstanding share options granted by the Company pursuant to the Share Option Scheme of the Company (other than those already owned by the Offeror and the parties acting in concert with it) (collectively, the "Offers"). A composite document relating to the Offers was issued by the Company on 13 February 2018.

Subsequent to the end of the reporting and at the date of approval of these financial statement, all the outstanding share options granted by the Company were cancelled and the Company had no share options outstanding under the Share Option Scheme.

**27. RESERVES**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 55 of the consolidated financial statements.

**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.

## Notes to Financial Statements

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## 28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2017	2016
Percentage of equity interest held by non-controlling interests:		
Huai Ji	30%	30%
Black Sesame	30%	30%
Black Sesame (Beijing)	30%	–

	2017	2016
	HK\$'000	HK\$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Huai Ji	287	158
Black Sesame	(332)	(922)
Black Sesame (Beijing)	(220)	–

	2017	2016
	HK\$'000	HK\$'000
Accumulated balances of non-controlling interests at the reporting date:		
Huai Ji	5,401	4,919
Black Sesame	1,746	2,079
Black Sesame (Beijing)	(159)	–

## Notes to Financial Statements

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## 28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST *(Continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Huai Ji HK\$'000	Black Sesame HK\$'000	Black Sesame (Beijing) HK\$'000
2017			
Revenue	9,350	452	246
Total expenses	(8,398)	(1,558)	(978)
Profit/(loss) for the year	952	(1,106)	(732)
Total comprehensive income/(loss) for the year	302	(1,106)	(530)
Current assets	5,005	1,435	6,467
Non-current assets	21,481	7,046	108
Current liabilities	(1,306)	(2,661)	(175)
Non-current liabilities	(6,088)	–	–
Net cash flows from/(used in) operating activities	3,628	1,093	(885)
Net cash flows used in investing activities	(1,616)	(7,046)	–
Net cash flows from financing activities	–	–	6,935
Net increase/(decrease) in cash and cash equivalents	2,012	(5,953)	6,050

## Notes to Financial Statements

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28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST *(Continued)*

	Huai Ji HK\$'000	Black Sesame HK\$'000
2016		
Revenue	8,447	–
Total expenses	(7,922)	(3,073)
Profit/(loss) for the year	525	(3,073)
Total comprehensive income/(loss) for the year	1,225	(3,073)
Current assets	3,006	7,000
Non-current assets	19,638	–
Current liabilities	(870)	(73)
Non-current liabilities	(5,034)	–
Net cash flows from/(used in) operating activities	1,834	(3,001)
Net cash flows used in investing activities	(3,126)	–
Net cash flows from financing activities	–	10,001
Net (decrease)/increase in cash and cash equivalents	(1,292)	7,000

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## 29. DISPOSAL OF A SUBSIDIARY

**Disposal of Sage Eternity**

On 27 June 2017, the Group and Konnection Global Ltd. entered into a sale and purchase agreement, pursuant to which the Group agreed to sell its entire equity interest in Sage Eternity (with net assets of HK\$341,000) and assign a loan of approximately HK\$1,300,000 due to the Group by Sage Eternity, at a consideration of HK\$3,000,000. The disposal was completed on 7 July 2017.

The net assets of Sage Eternity at the date of disposal were as follows:

	Note	2017 HK\$'000
Property, plant and equipment		238
Cash and bank balances		164
Inventories		290
Trade receivables		164
Deposit, prepayment and other receivables		99
Accruals and other payables		(614)
Net assets disposed of		341
Gain on disposal	5	2,659
		<b>3,000</b>
Satisfied by:		
Cash		<b>3,000</b>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2017 HK\$'000
Cash consideration	3,000
Cash and bank balances disposed of	(164)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<b>2,836</b>



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## 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

## Major non-cash transactions

- (a) On 17 July 2017, an ordinary resolution was passed at a special general meeting of the Company to approve, confirm and ratify the Investment Agreement and the transactions contemplated thereunder and to grant specific mandate to the directors of the Company to allot and issue a total of 164,192,312 new ordinary shares of the Company of HK\$0.025 each in accordance with the terms and condition of the Investment Agreement. On 25 July 2017, the Company allotted and issued 164,192,312 new ordinary shares of the Company of HK\$0.025 each (the "Consideration Shares") pursuant to the Investment Agreement to Sun Entertainment as further detailed in notes 15 and 30 to the financial statements (the "Share-based Payment"). In accordance with HKFRS 2 "Share-based Payment" ("HKFRS 2"), the fair value of the Consideration Shares issued for the purpose of the Share-based Payment, measured by reference to the grant date fair value of the Company's ordinary shares, amounted to approximately HK\$38,914,000, and the excess of the fair value of the Share-based Payment over the fair value of the Investment acquired should be considered as unidentifiable goods or services received or to be received and, accordingly, an equity-settled share-based payment expense of approximately HK\$12.2 million was charged to profit or loss for the current year (note 6).
- (b) During the year ended 31 December 2016, a subsidiary of the Company granted certain of its shares to its director. The fair value of the equity instrument granted, measured by reference to the grant date fair value of the subsidiary, amounted to approximately HK\$3,001,000 was charged to profit or loss during that year as share-based payment expense, with a corresponding credit to equity in the subsidiary's entity accounts, resulting in an increase in non-controlling interest of the Group.

## 31. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging one to two years, and those for office equipment are for terms of five years.

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	1,745	1,682
In the second to fifth years, inclusive	402	972
	<b>2,147</b>	2,654

## Notes to Financial Statements

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## 32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following commitments in connection with the production of certain concerts and drama at the end of the reporting period:

	2017 HK\$'000	2016 HK\$'000
Contracted, but not provided for:		
Concerts	5,271	–
Drama	720	–
	<b>5,991</b>	–

## 33. RELATED PARTY TRANSACTIONS

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

	Notes	2017 HK\$'000	2016 HK\$'000
Related companies:			
Rental expense	(i)	660	720
Management fee income	(ii)	2,700	1,800
Artiste fee	(iii)	150	–
Agency fee	(iv)	240	–

Notes:

- (i) The rental expense was charged by a related company, which is controlled by a director of the Company, in accordance with tenancy agreement entered into between the relevant parties.
- (ii) The management fee income was received from a company controlled by a director of the Company and was based on terms agreed between the relevant parties.
- (iii) The Group paid artiste fee of HK\$700,000 in advance (approximately HK\$155,000 was charged to the statement of profit or loss during the year) to a company controlled by a daughter of a key management personnel of a subsidiary, based on terms as mutually agreed between the relevant parties.
- (iv) The agent fee for service rendered in relation to a concert organised by the Group was charged by a related company, beneficially controlled by a director of the Company, based on terms as mutually agreed between the relevant parties.

## Notes to Financial Statements

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## 33. RELATED PARTY TRANSACTIONS (Continued)

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

	2017 HK\$'000	2016 HK\$'000
Short term employee benefits	1,175	1,080
Post-employment benefits	32	27
Equity-settled share option expense	52	25
<b>Total compensation paid to key management personnel</b>	<b>1,259</b>	<b>1,132</b>

Further details of the directors' and chief executive's emoluments are included in note 7 to the financial statements.

## 34. FINANCIAL INSTRUMENTS BY CATEGORY

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

## Financial assets

	2017 HK\$'000	2016 HK\$'000
Loans and receivables:		
Trade receivables	857	1,993
Financial assets included in prepayments, deposits and other receivables	1,632	726
Cash and cash equivalents	28,977	22,615
	<b>31,466</b>	25,334
Available-for-sale financial assets:		
Investment in a film right	7,769	7,769
Other investments	–	3,254
	<b>7,769</b>	11,023
Financial assets at fair value through profit or loss*:		
Investments in concert and film production projects	34,386	–
	<b>73,621</b>	36,357

\* Designated as such upon initial recognition

## Notes to Financial Statements

31 December 2017

## 34. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

## Financial liabilities

	Financial liabilities at amortised cost	
	2017	2016
	HK\$'000	HK\$'000
Trade payables	339	236
Financial liabilities included in other payables and accruals	1,495	3,144
	<b>1,834</b>	3,380

## 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair Value	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b>				
Investment in a film right	7,769	7,769	7,769	7,769
Investments in concert and film production projects	34,386	–	34,386	–
Other investments	–	3,254	–	3,254

As at 31 December 2017 and 31 December 2016, the carrying amounts of the Group's financial assets and financial liabilities reasonably approximated to their fair values.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities/ no fixed terms of repayment of these instruments or the effect of discounting is not material.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by senior management.

## Notes to Financial Statements

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### 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

For the investment in a film right, the fair value is estimated with reference to the production budget of the underlying film under development and its status. For other investments, the fair value is estimated with reference to the net proceeds receivable from the completed concerts according to the Group's investment proportion. For investments in certain concert projects, which were completed during the year, the fair value is estimated with reference to the net proceeds receivable from those concerts attributable to the Group. For investment in a concert under preparation, the fair value is estimated with reference to its production budget and its status. For investment in a film production project, whereby the underlying film had been completed and released for theatrical releases in its primary markets, the fair value is estimated based on estimated future cash flows with reference to relevant cost and distribution information, and available market data.

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### *Asset measured at fair value:*

As at 31 December 2017

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Available-for-sale investments:				
Investment in a film right	-	-	7,769	7,769
Fair value through profit or loss:				
Investments in concert and film production projects	-	-	34,386	34,386
	-	-	42,155	42,155

## Notes to Financial Statements

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### 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy (Continued)

#### Asset measured at fair value: (Continued)

As at 31 December 2016

	Fair value measurement using			Total HK\$'000
	Quoted prices inactive markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Available-for-sale investments:				
Investment in a film right	–	–	7,769	7,769
Other investments	–	–	3,254	3,254
	–	–	11,023	11,023

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

	2017 HK\$'000	2016 HK\$'000
Available-for-sale investments:		
At 1 January	11,023	–
Net loss recognised in the statement of profit or loss included in revenue	–	(24)
Purchases	–	11,047
Settlements	(3,254)	–
At 31 December	7,769	11,023
Fair value through profit or loss:		
At 1 January	–	–
Total gain recognised in the statement of profit or loss included in other income	2,099	–
Purchases	32,287	–
At 31 December	34,386	–

**Notes to Financial Statements**

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**35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**  
*(Continued)***Fair value hierarchy** *(Continued)*

The Group did not have any financial liabilities measured at fair value as at 31 December 2017 and 31 December 2016.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2016: Nil).

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's activities expose it to a variety of financial risks: foreign currency 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.

**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 the functional currency of the respective subsidiaries either HK\$ or Renminbi ("RMB").

**Credit risk**

The Group's principal financial assets include trade and other receivables and cash and cash equivalents. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2017 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.



## Notes to Financial Statements

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## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

**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 daily operations. The Group finances its working capital requirements primarily through funds generated from operations and funds raising activities in the public market.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is either repayable on demand or less than 1 year.

**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 divided by the equity attributable to owners of the Company. The gearing ratios as at 31 December 2017 and 31 December 2016 were as follows:

	2017	2016
	HK\$'000	HK\$'000
Current liabilities	<b>14,844</b>	12,835
Non-current liabilities	<b>6,024</b>	4,731
Total liabilities	<b>20,868</b>	17,566
Equity attributable to owners of the Company	<b>87,430</b>	41,489
Gearing ratio	<b>23.9%</b>	42.3%

## Notes to Financial Statements

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## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	Note	2017 HK\$'000	2016 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investments in and amounts due from subsidiaries		<b>114,544</b>	56,850
<b>CURRENT ASSETS</b>			
Other receivables		<b>201</b>	94
Cash and cash equivalents		<b>12,097</b>	14,198
Total current assets		<b>12,298</b>	14,292
Total assets		<b>126,842</b>	71,142
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		<b>2,171</b>	2,176
Amounts due to subsidiaries		<b>9,073</b>	811
Total current liabilities		<b>11,244</b>	2,987
NET ASSETS		<b>115,598</b>	68,155
<b>EQUITY</b>			
Share capital	25	<b>28,945</b>	20,715
Reserves		<b>86,653</b>	47,440
Total equity		<b>115,598</b>	68,155

## Notes to Financial Statements

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## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

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

	Share premium account HK\$'000	Contributed surplus HK\$'000	Share- based payment reserve HK\$'000 (Note 26)	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2016	239,909	31,713	14,340	(248,877)	37,085
Loss and total comprehensive loss for the year	–	–	–	(5,440)	(5,440)
Issue of shares upon placement	15,360	–	–	–	15,360
Equity-settled share options arrangements	–	–	435	–	435
At 31 December 2016 and 1 January 2017	255,269	31,713	14,775	(254,317)	47,440
Loss and total comprehensive loss for the year	–	–	–	(17,606)	(17,606)
Issue of shares upon placement	21,431	–	–	–	21,431
Other equity-settled share-based payment transaction	34,809	–	–	–	34,809
Equity-settled share options arrangements	–	–	579	–	579
At 31 December 2017	311,509	31,713	15,354	(271,923)	86,653

## 38. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified/re-grouped to confirm with current's presentation.

## 39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2018.

## 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:

	2017	2016	2015	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	<b>94,497</b>	16,287	20,004	43,080	39,427
LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY	<b>(19,641)</b>	(17,293)	(21,336)	(60,436)	(130,332)
TOTAL ASSETS	<b>115,159</b>	65,927	60,408	477,770	490,873
TOTAL LIABILITIES	<b>(20,868)</b>	(17,566)	(15,460)	(343,749)	(302,871)
NET ASSETS	<b>94,291</b>	48,361	44,948	134,021	188,002

Notes:

- (i) The results and assets and liabilities of the Group for the year ended 31 December 2017 have been extracted from the consolidated statement of profit or loss and consolidated statement of financial position as set out on pages 51 and 53 to 54 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.