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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in doubt** as to any aspect of this Scheme Document or as to the action to be taken, you are recommended to seek your own independent financial advice immediately from a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional advisor.

**Scheme Shareholders should read the whole of this Scheme Document.** In addition, this Scheme Document should be read in conjunction with the accompanying forms of proxy and the Election Form.

**If you have sold or transferred** all your shares in Nirvana Asia Ltd, you should at once hand this Scheme Document and the accompanying forms of proxy and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

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**ASIA MEMORIAL GROUP  
LIMITED**

*(Incorporated in the Cayman Islands with limited  
liability)*

 **富貴生命國際有限公司  
NIRVANA asia LTD**

*(Incorporated in the Cayman Islands with limited  
liability)*

**(Stock Code: 1438)**

**PROPOSED PRIVATISATION OF NIRVANA ASIA LTD  
BY ASIA MEMORIAL GROUP LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS)  
AND THE PROPOSED CASH OFFER TO CANCEL  
ALL OUTSTANDING OPTIONS**

**Financial Advisor to Asia Memorial  
Group Limited**

**J.P.Morgan**

**Financial Advisor to Nirvana Asia Ltd**

 **UBS**

**Independent Financial Advisor to the Independent Board Committee**

 **SOMERLEY CAPITAL LIMITED**

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Unless the context otherwise requires, capitalised terms used in this Scheme Document have the meanings set out in the section headed “Definitions” on pages 1 to 9 of this Scheme Document.

A letter from the Board is set out on pages 12 to 35 of this Scheme Document. An Explanatory Memorandum regarding the Proposal and the Rule 13 Offer is set out on pages 64 to 102 of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Scheme Shareholders in respect of the Proposal and the MIP and the Optionholders in respect of the Rule 13 Offer is set out on pages 36 to 37 of this Scheme Document. A letter from Somerley, the IFA to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Proposal, the MIP and the Rule 13 Offer is set out on pages 38 to 63 of this Scheme Document.

Notices convening the Court Meeting and the EGM to be held at Park Lane Room 2-4, 27/F, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 28 September 2016 at 9:00 a.m. and 9:30 a.m. respectively (or in the case of the EGM immediately after the conclusion or adjournment of the Court Meeting) are set out in Appendix VII and Appendix VIII respectively to this Scheme Document. Whether or not you are able to attend the Court Meeting and/or EGM, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed on them respectively, and to deposit them at the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated under the section headed “27. Action to be Taken” in the Explanatory Memorandum on pages 98 to 101 of this Scheme Document. The **pink** form of proxy in respect of the Court Meeting may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so deposited.

This Scheme Document is jointly issued by Asia Memorial Group Limited and Nirvana Asia Ltd.

**The English language text of this Scheme Document shall prevail over the Chinese language text.**

5 September 2016

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## **IMPORTANT NOTICE**

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### **NOTICE TO UNITED STATES INVESTORS**

The Proposal relates to the ordinary shares with a par value of US\$0.01 each in the share capital of the Company, an exempted company incorporated with limited liability in the Cayman Islands, the shares of which are listed on the Stock Exchange, and is proposed to be effected by way of a scheme of arrangement under the laws of the Cayman Islands and applicable rules and regulations in Hong Kong. Accordingly, the Proposal is subject to disclosure requirements, rules and practices applicable in the Cayman Islands and Hong Kong, and the information disclosed in this Scheme Document may not be the same as which would have been disclosed if this Scheme Document had been prepared for the purpose of complying with the requirements of United States federal securities laws or in accordance with the laws or regulations of any other jurisdiction. The financial information included in this Scheme Document has not been, and will not be, prepared in accordance with US GAAP and thus may not be comparable to financial information of United States companies or companies whose financial statements are prepared in accordance with US GAAP. In addition, the settlement procedure with respect to the Proposal will comply with the rules of the Takeovers Code and the Companies Law, which differ from United States domestic settlement procedures in certain material respects, particularly with regard to the date of payment of consideration.

The receipt of cash pursuant to the Proposal by a United States holder of Shares may be a taxable transaction for United States federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his or her independent professional advisor immediately regarding the tax consequences of the Proposal.

It may be difficult for United States holders of the Shares to enforce their rights and any claim arising out of United States securities law, since the Offeror Group and the Company are incorporated outside of the United States, some or all of their respective officers and directors are resident outside of the United States and a substantial portion of their respective assets are located outside of the United States. United States holders of the Shares may not be able to sue a non-United States company or its officers or directors in a non-United States court for violations of United States securities laws, or enforce against them a judgment rendered by a United States court. Further, it may be difficult to compel a non-United States company and its affiliates to subject themselves to a United States court's jurisdiction.

Neither the United States Securities and Exchange Commission nor any other United States federal or state securities commission or regulatory authority has approved or disapproved or passed upon the accuracy or adequacy of this Scheme Document. Any representation to the contrary is a criminal offence in the United States.

Shareholders may obtain free copies of this Scheme Document at the websites maintained by the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and by the Company at [www.nirvana-asia-ltd.com](http://www.nirvana-asia-ltd.com).

### **NOTICE TO SHAREHOLDERS AND OPTIONHOLDERS OUTSIDE OF HONG KONG AND THE UNITED STATES**

The implementation of the Proposal to Shareholders and the Rule 13 Offer to Optionholders who are not resident in Hong Kong or the United States may be subject to the laws of the relevant jurisdictions in which such holders are located. Such holders should inform themselves about and observe any applicable legal or regulatory requirements.

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## **IMPORTANT NOTICE**

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Please refer to the section headed “20. Overseas Shareholders and Overseas Optionholders” in the Explanatory Memorandum on pages 90 to 91 of this Scheme Document for further information.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Scheme Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

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## DEFINITIONS

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*In this Scheme Document, the following expressions have the meanings respectively set opposite them unless the content requires otherwise:*

“acting in concert”	has the meaning given to it in the Takeovers Code, and “persons acting in concert” and “concert parties” will be construed accordingly
“Affiliate(s)”	in relation to a person, any other person which, directly or indirectly, controls, is controlled by or is under the common control of the first mentioned person
“AIF”	Transpacific Ventures Limited, a company incorporated in the Cayman Islands
“Alternative Proposal”	an offer within the meaning in the Takeovers Code from a third party
“Announcement”	the announcement dated 8 July 2016 issued jointly by Holdco and the Company pursuant to Rule 3.5 of the Takeovers Code in relation to the Proposal
“Announcement Date”	8 July 2016, being the date of the Announcement
“associate(s)”	has the meaning given to it in the Takeovers Code
“Authorisations”	all the necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
“Authority”	any relevant government, quasi-governmental, supranational, regulatory, administrative or investigative body, court, tribunal, arbitrator, agency, authority or department in any jurisdiction
“Beneficial Owner”	any beneficial owner of the Shares registered in the name of any nominee, trustee, depository or any other authorised custodian or third party
“Bidco”	North Memorial Sdn. Bhd., a company incorporated in Malaysia and a direct wholly-owned subsidiary of Parentco and an indirect wholly-owned subsidiary of Holdco
“Bidco Share(s)”	ordinary shares of RM1.00 each in the share capital of Bidco
“Bidco Shareholder(s)”	a person who is registered in the register of members of Bidco as the holder of Bidco Shares
“Board”	the board of Directors
“Brexiteer”	the United Kingdom populace recommended to leave the European Union in a referendum held on 23 June 2016
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Consideration”	the Cash Alternative or the Holdco Shares Alternative
“Cash Alternative”	the cash consideration alternative under the Proposal, being HK\$3.00 in cash for every Scheme Share
“CCASS”	the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited

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## DEFINITIONS

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“Committed Cash Alternative Shareholder”	AIF
“Committed Cash Alternative Shares”	(i) the aggregate of 287,677,002 Shares owned by the Committed Cash Alternative Shareholder, representing approximately 10.66% of the Shares in issue as at the Latest Practicable Date; (ii) any other Shares which the Committed Cash Alternative Shareholder may acquire on or after the date hereof; and (iii) any other Shares attributable to or derived from the Shares referred to in (i) and (ii)
“Committed Holdco Shares Alternative Shareholders”	Rightitan and Orchid
“Committed Holdco Shares Alternative Shares”	(i) the aggregate of 1,736,418,998 Shares owned by the Committed Holdco Shares Alternative Shareholders, representing approximately 64.33% of the Shares in issue as at the Latest Practicable Date; (ii) any other Shares which the Committed Holdco Shares Alternative Shareholders may acquire on or after the date hereof; and (iii) any other Shares attributable to or derived from the Shares referred to in (i) and (ii)
“Committed Shareholders”	the Committed Cash Alternative Shareholder and Committed Holdco Shares Alternative Shareholders
“Committed Shares”	Shares held by the Committed Shareholders
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	Nirvana Asia Ltd, a company incorporated in the Cayman Islands with limited liability, the shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 1438)
“Completion Date”	the date when the Scheme becomes effective in accordance with the Companies Law and the withdrawal of the listing of the Company from the Stock Exchange is completed
“Conditions”	the conditions to the implementation of the Proposal and the Scheme as described under the section headed “5. Conditions of the Proposal” in the Explanatory Memorandum of this Scheme Document
“Court Hearing”	the hearing by the Grand Court of the petition seeking sanction of the Scheme and to confirm the Reduction
“Court Meeting”	a meeting of the Shareholders to be convened at the direction of the Grand Court for the purposes of considering and, if thought fit, approving the Scheme (with or without modification(s)), notice of which is set out in Appendix VII to this Scheme Document, and any adjournment thereof
“Court Order”	the order of the Grand Court sanctioning the Scheme under Section 86 of the Companies Law
“CVC”	CVC Asia Pacific Limited, a company incorporated in Hong Kong, and its affiliates together with CVC Capital Partners SICAV-FIS S.A. and its subsidiaries
“CVC Capital Partners Asia IV Limited”	the general partner of the Investment Funds
“Directors”	directors of the Company

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## DEFINITIONS

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“Disinterested Scheme Shareholders”	the Shareholders other than Holdco Group, Holdco Concert Parties and Shareholder MIP Participants
“Disinterested Scheme Shares”	the Shares held by the Disinterested Scheme Shareholders
“Disturbed Period”	the three trading days between 27 June 2016 and 29 June 2016 (both dates inclusive)
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Law and which date will, in any event, be no later than the Long Stop Date
“Election Form”	the <b>blue</b> form of election to be completed by Scheme Shareholders in order to elect the Holdco Shares Alternative dispatched to Shareholders together with this Scheme Document
“Election Time”	4:30 p.m. (Hong Kong time) on 5 October 2016, being the latest time when the Scheme Shareholders may elect the Holdco Shares Alternative
“Extraordinary General Meeting” or “EGM”	an extraordinary general meeting of the Company to be convened immediately following the close or adjournment of the Court Meeting for the purpose of approving (i) by special resolution, the Reduction; and (ii) by ordinary resolutions, (a) the restoration in the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and to apply the credit arising in its books of account as a result of the Reduction to pay up in full at par and issue to Bidco the New Shares; (b) the termination of the ESR Scheme and the SASR Scheme on the Effective Date; and (c) the terms of the MIP, in the case of (b) and (c), subject to the Scheme becoming effective
“Employee Share Rights”	the outstanding share rights granted and vested under the ESR Scheme
“Employee Share Warrants”	the outstanding share warrants granted and vested under the ESR Scheme
“Equityco”	Asia Memorial Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability (registered no. 312541) whose registered office is at 94 Solaris Avenue, Camana Bay, P.O. Box 1348, Grand Cayman KY1-1108, Cayman Islands and which is directly wholly-owned by the Investment Funds
“Equityco Board”	the board of directors of Equityco
“ESR Scheme”	the employee share right scheme of the Company effective as of 25 October 2013
“Estimates of Value”	the estimates of value of Holdco Shares set out in Appendix V to this Scheme Document
“Executive”	the Executive Director of the Corporate Finance Division of the SFC (or any delegate of the Executive Director)
“Exercise Price”	in respect of each Option, the relevant exercise price payable by the relevant Optionholder to subscribe for a Share under the ESR Scheme, SASR Scheme and/or Share Option Scheme



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## DEFINITIONS

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“Facility”	the HK\$3,410,000,000 loan facility provided by CIMB Bank Berhad to Bidco
“Founder”	Tan Sri Kong Hon Kong, an executive Director of the Company
“Founder’s Group”	Rightitan and the Founder
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holdco”	Asia Memorial Group Limited, an exempted company incorporated in the Cayman Islands with limited liability (registered no. 312540), whose registered office is at 94 Solaris Avenue, Camana Bay, P.O. Box 1348, Grand Cayman KY1-1108, Cayman Islands and is a direct wholly-owned subsidiary of Equityco and ultimately wholly-owned by the Investment Funds
“Holdco Articles”	the articles of association of Holdco as amended from time to time
“Holdco Board”	the board of directors of Holdco
“Holdco Concert Parties”	parties acting in concert with Holdco in relation to the Company, including Bidco and members of the Founder’s Group
“Holdco Directors”	directors of Holdco
“Holdco Group”	Holdco and its subsidiaries from time to time
“Holdco Group Company”	any member of Holdco Group and “Holdco Group Companies” shall be construed accordingly
“Holdco Memorandum”	the memorandum of association of Holdco as amended from time to time
“Holdco Ordinary Shareholders”	a person who is registered in the register of members of Holdco as the holder of Holdco Ordinary Share(s)
“Holdco Ordinary Share(s)”	ordinary shares of US\$0.01 each in the share capital of Holdco
“Holdco Preference Shareholders”	a person who is registered in the register of members of Holdco as the holder of Holdco Preference Share(s)
“Holdco Preference Share(s)”	preference shares of US\$0.01 each in the share capital of Holdco
“Holdco Shareholders”	a person who is registered in the register of members of Holdco as the holder of Holdco Shares
“Holdco Share(s)”	a share in the capital of Holdco following the implementation of the Proposal and the Scheme and shall be deemed to be shares of any or all classes, including Holdco Ordinary Share(s) and Holdco Preference Share(s), as the context may require
“Holdco Shares Alternative”	the cash and share alternative under the Proposal, being 2.100076 Holdco Preference Share(s) and 0.031501 Holdco Ordinary Share(s), plus cash of HK\$1.37, for every Scheme Share

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## DEFINITIONS

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“Holdco Special Resolution”	<p>a resolution passed in accordance with Section 60 of the Companies Law, being a resolution:</p> <p>(a) passed by a majority of not less than 85% of such Holdco Shareholders who, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and where a poll is taken regard shall be had in computing a majority to the number of votes to which each Holdco Shareholder is entitled; and</p> <p>(b) approved in writing by all Holdco Shareholders entitled to vote at a general meeting of Holdco in one or more instruments each signed by one or more of the Holdco Shareholders and the effective date of the Holdco Special Resolution so adopted shall be the date on which the instrument or the last of such instruments, if more than one, is executed</p>
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Implementation Agreement”	the agreement entered into between Equityco, Holdco and the Company on 8 July 2016 whereby the parties agreed that Holdco will effect the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law and on the terms and conditions of the Proposal
“Independent Board Committee” or “IBC”	the independent committee of the Board, comprising all the non-executive Directors (other than Mr. Gabriel Li) and independent non-executive Directors established by the Board to make a recommendation to the Disinterested Scheme Shareholders in respect of the Proposal and the MIP and the Optionholders in respect of the Rule 13 Offer
“Independent Financial Advisor” or “IFA”	Somerley, the independent financial advisor appointed by the Independent Board Committee to advise the Independent Board Committee on the Proposal, the Rule 13 Offer and the MIP
“Investment Funds”	CVC Capital Partners Asia Pacific IV L.P. (94.555%), CVC Capital Partners Investment Asia IV L.P. (4.721%) and CVC Capital Partners Asia IV Associates L.P. (0.725%), each acting by its general partner, CVC Capital Partners Asia IV Limited, and which collectively ultimately own Holdco
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“IPO”	the listing of the Shares on the Stock Exchange on 17 December 2014
“Irrevocable Undertakings”	the irrevocable undertaking given by each of the Committed Shareholders, each dated 8 July 2016 in respect of the Committed Shares in favour of Holdco as mentioned in the section headed “6. Irrevocable Undertakings to Accept the Proposal” in the Explanatory Memorandum

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## DEFINITIONS

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“J.P. Morgan”	J.P. Morgan Securities (Asia Pacific) Limited, a registered institution under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO, which is the financial advisor to Holdco in connection with the Proposal
“Last Trading Day”	29 June 2016, being the last full trading day prior to the date of suspension of trading in the Shares on the Stock Exchange pending issuance of the Announcement
“Latest Option Exercise Date”	2:30 p.m. on 4 October 2016, being the expected latest time and date upon which Optionholders must exercise their Options in order to qualify for entitlements under the Scheme
“Latest Practicable Date”	2 September 2016, being the latest practicable date prior to the despatch of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	4 January 2017
“Meeting Record Date”	28 September 2016, being the record date for the purpose of determining the entitlement of the Shareholders to attend and vote at the Court Meeting and at the EGM, or such other date as announced by the Company
“MIP”	the management incentive plan to be adopted by Holdco following the Effective Date
“New Shares”	the new Shares to be issued to Bidco pursuant to the Scheme, the number of which is equal to the number of Scheme Shares to be cancelled
“Non-Compete Period”	the period from the Effective Date until such time as Rightitan or Equityco (as applicable) ceases to own any Holdco Shares or Holdco no longer holds (directly or indirectly) any shares in the Company
“Offer Period”	has the meaning given to it in the Takeovers Code
“Offeror Group”	Bidco, Holdco and Equityco
“Offeror Group Company”	any member of the Offeror Group and “Offeror Group Companies” shall be construed accordingly
“Option Amount”	the consideration in cash for each Option cancelled under the Rule 13 Offer, being HK\$1.475, representing the amount by which the Cash Alternative under the Scheme exceeds the exercise price of each Option
“Optionholders”	holder(s) of the Options
“Options”	the Employee Share Rights, Employee Share Warrants, Sales Agent Share Rights and Share Options

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## DEFINITIONS

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“Orchid”	OA-Nirvana Investment Limited, a company incorporated in the Cayman Islands
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited the Shares with, a CCASS participant
“Parentco”	Asia Memorial Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability (registered no. 312542) whose registered office is at 94 Solaris Avenue, Camana Bay, P.O. Box 1348, Grand Cayman KY1-1108, Cayman Islands and which is a direct wholly-owned subsidiary of Holdco
“Proposal”	the proposed privatisation of the Company by Holdco to be effected by way of the Scheme pursuant to Section 86 of the Companies Law
“Record Date”	4 October 2016, being the record date for determining entitlements under the Scheme, or such other date as announced by the Company
“Record Time”	4:30 p.m. (Hong Kong time) on the Record Date
“Reduction”	the proposed reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares
“Registered Owner”	any nominee, trustee, depository or any other authorised custodian or third person who is the registered holder of Shares
“Registrar of Companies”	the registrar of companies appointed under the Companies Law
“Relevant Period”	the period commencing on 8 January 2016, being the date falling six months prior to the commencement of the Offer Period, and ending on the Latest Practicable Date
“Restoration”	the proposed simultaneous restoration of the share capital of the Company to its former amount before the Reduction, by allotting and issuing to Bidco, credited as fully paid at par, the New Shares
“Restricted Business”	the provision of bereavement care products and services in Asia
“Rightitan”	Rightitan Sdn. Bhd., a company incorporated in Malaysia and having its registered office at Level 3A, Wisma Nirvana, No. 1, Jalan 1/116A, Off Jalan Sungai Besi, 57100 Kuala Lumpur, Wilayah Persekutuan, Malaysia and ultimately owned by the Founder
“Rightitan Irrevocable Undertaking”	the irrevocable undertaking given by Rightitan dated 8 July 2016 in respect of the Shares held by Rightitan in favour of Holdco and Equityco
“RM”	Malaysian ringgit, the lawful currency of Malaysia
“Rule 13 Offer”	the offer made by Holdco (or made on its behalf) to the Optionholders in accordance with Rule 13 of the Takeovers Code
“Rule 13 Offer Letter”	the letter dated on 5 September 2016, setting out the terms and conditions of the Rule 13 Offer sent separately to the Optionholders, and substantially in the form set out in Appendix IX to this Scheme Document

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## DEFINITIONS

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“Rule 13 Offer Record Date”	4:30 p.m. (Hong Kong time) on 4 October 2016, or such other time and date as shall have been announced to Shareholders and Optionholders, being the record date for the purpose of determining entitlements under the Rule 13 Offer
“Sales Agent Share Rights”	the outstanding share rights granted and vested under the SASR Scheme
“SASR Scheme”	the sales agent share right scheme of the Company effective as of 25 October 2013
“Scheme”	a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares and the simultaneous issue of New Shares to Bidco
“Scheme Document”	this composite scheme document, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time
“Scheme Shareholders”	the Shareholders whose names appear on the register of members of the Company at the Record Time
“Scheme Shares”	the Shares held by the Scheme Shareholders
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SG\$”	Singapore dollars, the lawful currency of Singapore
“Share Option Scheme”	the share option scheme of the Company effective as of 24 November 2014
“Share Options”	the outstanding share options granted and vested under the Share Option Scheme
“Shareholder MIP Participants”	the proposed participants of the MIP who are Shareholders as at the Latest Practicable Date
“Shareholders”	registered holders of Shares whose names appear on the Company’s register of members
“Shares”	ordinary shares of US\$0.01 each in the share capital of the Company
“Somerley”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which is the independent financial advisor to the Independent Board Committee in connection with the Proposal, the Rule 13 Offer and the MIP
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“THB”	Thai Baht, the lawful currency of Thailand
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities

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## DEFINITIONS

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“UBS”	UBS AG, acting through its Hong Kong branch, an institution licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, which is the financial advisor to the Company in connection with the Proposal
“Undisturbed Date”	24 June 2016
“Undisturbed Period”	the 30 trading days between 13 May 2016 and the Undisturbed Date (both dates inclusive)
“U.S.” or “United States”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States

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## EXPECTED TIMETABLE

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	<b>Hong Kong time</b> (unless otherwise stated)
Date of despatch of this Scheme Document .....	Monday, 5 September 2016
Date of despatch of Rule 13 Offer Letter .....	Monday, 5 September 2016
Latest time for Optionholders to exercise their Options in order to qualify for attending and voting at the Court Meeting and the EGM .....	4:30 p.m. on Thursday, 22 September 2016
Latest time for lodging transfers of the Shares in order to qualify for attending and voting at the Court Meeting and the EGM .....	4:30 p.m. on Friday, 23 September 2016
Register of members of the Company closed for determination of entitlements of the Shareholders to attend and vote at the Court Meeting and at the EGM <sup>(1)</sup> .....	Monday, 26 September 2016 to Wednesday, 28 September 2016 (both days inclusive)
Latest time for lodging forms of proxy in respect of:	
Court Meeting <sup>(2)</sup> .....	9:00 a.m. on Monday, 26 September 2016
EGM <sup>(2)</sup> .....	9:30 a.m. on Monday, 26 September 2016
Meeting Record Date .....	Wednesday, 28 September 2016
Court Meeting <sup>(3)</sup> .....	9:00 a.m. on Wednesday, 28 September 2016
EGM <sup>(3)</sup> .....	9:30 a.m. on Wednesday, 28 September 2016 (or immediately after the conclusion or adjournment of the Court Meeting)
Announcement of the results of the Court Meeting and the EGM published on the website of the Stock Exchange and the website of the Company .....	No later than 7:00 p.m. on Wednesday, 28 September 2016
Latest time for dealing in the Shares on the Stock Exchange .....	4:00 p.m. on Thursday, 29 September 2016
Court Hearing to sanction the Scheme and to confirm the Reduction <sup>(4)</sup> ....	Friday, 30 September 2016 <b>(Cayman Islands Time)</b>
Announcement of (1) the results of the Court Hearing (2) the expected Effective Date and (3) the intention to withdraw the listing of the Shares on the Stock Exchange .....	Before 8:30 a.m. on Monday, 3 October 2016
Latest time for Optionholders to exercise their Options in order to qualify for entitlements under the Scheme .....	2:30 p.m. on Tuesday, 4 October 2016
Latest time for lodging transfers of the Shares in order to qualify for entitlements under the Scheme .....	4:30 p.m. on Tuesday, 4 October 2016
Record Date and Record Time under the Scheme .....	4:30 p.m. on Tuesday, 4 October 2016
Rule 13 Offer Record Date .....	4:30 p.m. on Tuesday, 4 October 2016
Register of members of the Company closed for determining entitlements to qualify under the Scheme .....	From Wednesday, 5 October 2016 onwards
Latest time to submit Election Form to elect the Holdco Shares Alternative .....	4:30 p.m. on Wednesday, 5 October 2016

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## EXPECTED TIMETABLE

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Effective Date <sup>(4),(5)</sup> .....	Wednesday, 5 October 2016 (Cayman Islands Time)
Announcement of the Effective Date and the withdrawal of the listing of the Shares on the Stock Exchange .....	Before 8:30 a.m. on Thursday, 6 October 2016
Withdrawal of the listing of the Shares on the Stock Exchange becomes effective .....	9:00 a.m. on Friday, 7 October 2016
Cheques for cash entitlements and certificates for Holdco Shares to be dispatched <sup>(6)</sup> .....	On or before Monday, 17 October 2016
Cheques for cash entitlements under the Rule 13 Offer to be dispatched <sup>(7)</sup> .....	On or before Monday, 17 October 2016

**Shareholders and Optionholders should note that the timetable is subject to change. Further announcement(s) will be made in the event that there is any change to the timetable.**

*Notes:*

- (1) The closure of the register of members of the Company during this period is not for the purpose of determining entitlements under the Scheme. Instead, it is for the purpose of determining entitlements of the Shareholders to attend and vote at the Court Meeting and the EGM.
- (2) Forms of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited with Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not later than the times and dates stated above. In order to be valid, the **pink** form of proxy for the Court Meeting and the **white** form of proxy for the EGM must be deposited by the times and dates stated above. The **pink** form of proxy in respect of the Court Meeting may alternatively be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll if it is not so deposited. Completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude a Shareholder entitled to do so from attending the relevant meeting and voting in person. In such event, the relevant form of proxy will be deemed to have been revoked.
- (3) The Court Meeting and the EGM will be held at Park Lane Room 2-4, 27/F, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong at the times and dates specified above. Notice of the Court Meeting is set out in Appendix VII to this Scheme Document and Notice of the EGM is set out in Appendix VIII to this Scheme Document.
- (4) All references in this Scheme Document to times and dates are references to Hong Kong times and dates, other than references to the expected dates of the Court Hearing and the Effective Date, which are the relevant times and dates in the Cayman Islands. Cayman Islands time is 13 hours behind Hong Kong time.
- (5) The Scheme will become effective upon all the Conditions set out in the section headed "5. Conditions of the Proposal" in the Explanatory Memorandum on pages 69 to 71 of this Scheme Document having been satisfied or waived, as applicable.
- (6) Cheques for cash entitlements and certificates for Holdco Shares to the Scheme Shareholders will be dispatched by post within seven (7) Business Days from the Effective Date.
- (7) Payment (by cheque in Hong Kong dollars) in respect of the Rule 13 Offer will be dispatched by post within seven (7) Business Days from the Effective Date.



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## LETTER FROM THE BOARD

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*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1438)**

*Executive Directors:*

Tan Sri KONG Hon Kong (Managing  
Director and Chief Executive Officer)  
Mr. KONG Yew Foong  
Mr. SOO Wei Chian  
Mr. KONG Yew Lian

*Registered office:*

4th Floor, Harbour Place  
103 South Church Street, George Town  
P.O. Box 10240, Grand Cayman KY1-1002  
Cayman Islands

*Non-executive Directors:*

Dato' FU Ah Kiow @ Oh (Fu) Soon Guan  
(Chairman)  
Mr. LI Gabriel  
Mr. ANG Teck Shang  
Mr. TSE Po Shing Andy (Mr. BARNES II,  
William Wesley as his alternate)

*Principal place of business in Hong Kong:*

36th Floor, Tower Two  
Times Square, 1 Matheson Street  
Causeway Bay  
Hong Kong

*Independent Non-executive Directors:*

Tan Sri CHAN Kong Choy  
Mr. NG Soon Lai @ Ng Siek Chuan  
Mr. FOONG Soo Hah  
Ms. Anita CHEW Cheng Im

5 September 2016

*To Shareholders and Optionholders*

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF NIRVANA ASIA LTD  
BY ASIA MEMORIAL GROUP LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS)  
AND THE PROPOSED CASH OFFER TO CANCEL ALL OUTSTANDING OPTIONS**

**1. INTRODUCTION**

On 8 July 2016, the Company and Holdco jointly announced that Holdco, Equityco and the Company entered into the Implementation Agreement on 8 July 2016, pursuant to which the parties agreed that Holdco will pursue the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law involving cancellation of all the Scheme Shares and allotment and issue of New Shares to Bidco. If the Proposal is implemented, it will result in the Company becoming a direct wholly-owned subsidiary of Bidco and an indirect wholly-owned subsidiary of Holdco and the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules.

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## LETTER FROM THE BOARD

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Pursuant to Rule 13 of the Takeovers Code, Holdco will make an appropriate cash offer to the Optionholders to cancel their Options. The Rule 13 Offer will be conditional upon the Scheme becoming effective.

The Scheme Shares comprise all the Shares held by Shareholders at the Record Time. As at the Latest Practicable Date, there were 2,699,301,830 Shares. The Scheme will also be extended to all Shares validly issued pursuant to the exercise of the Employee Share Rights, Employee Share Warrants, Sales Agent Share Rights and Share Options on or before the Latest Option Exercise Date.

As at the Latest Practicable Date, except for and to the extent of the interest in 1,152,347,563 Shares held by the Founder's Group (representing approximately 42.69% of the issued share capital of the Company), Holdco does not and no other member of the Holdco Concert Parties owns or controls any Shares, Employee Share Rights, Employee Share Warrants, Sales Agent Share Rights, Share Options or any convertible securities, warrants, options or derivatives in respect of the Shares.

As at the Latest Practicable Date, neither the Company nor any of the parties acting in concert with it owns or controls any shares in any of the Offeror Group Companies, or any convertible securities, warrants, options or derivatives in respect of the shares in any of the Offeror Group Companies. As Rightitan has irrevocably undertaken to elect the Holdco Shares Alternative, if the Scheme becomes effective, it is expected that the Founder's Group will be interested in shares in Holdco.

In compliance with Rule 2.1 of the Takeovers Code, the Board has established the Independent Board Committee, comprising all non-executive directors (except Mr. Gabriel Li) and independent non-executive directors of the Company who are not interested in the Proposal (namely, Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan, Mr. Ang Teck Shang, Mr. Tse Po Shing Andy, Tan Sri Chan Kong Choy, Mr. Ng Soon Lai @ Ng Siek Chuan, Mr. Foong Soo Hah and Ms. Anita Chew Cheng Im), to advise the Disinterested Scheme Shareholders in respect of the Proposal and the MIP and the Optionholders in respect of the Rule 13 Offer. The Independent Board Committee has approved the appointment of Somerley as the Independent Financial Advisor to advise the Independent Board Committee in respect of the Proposal, the MIP and the Rule 13 Offer.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the Rule 13 Offer and, in particular, the Scheme, and to give you notices of the Court Meeting and the EGM. Your attention is also drawn to: (a) the Letter from the Independent Board Committee set out on pages 36 to 37 of this Scheme Document; (b) the Letter from Somerley, the Independent Financial Advisor to the Independent Board Committee, set out on pages 38 to 63 of this Scheme Document; (c) the Explanatory Memorandum set out on pages 64 to 102 of this Scheme Document; and (d) the terms of the Scheme set out in Appendix VI to this Scheme Document.

## 2. TERMS OF THE PROPOSAL

Under the Proposal, the Scheme Shares will be cancelled in exchange for either:

- (a) **Cash Alternative:** cash of HK\$3.00 for every Scheme Share; or
- (b) **Holdco Shares Alternative:** 2.100076 Holdco Preference Share(s) and 0.031501 Holdco Ordinary Share(s), plus cash of HK\$1.37, for every Scheme Share.

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## LETTER FROM THE BOARD

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The Cash Alternative and the cash element of the Holdco Shares Alternative will be financed by Holdco. Scheme Shareholders (other than the Committed Cash Alternative Shareholder which has undertaken to elect the Cash Alternative only and the Committed Holdco Shares Alternative Shareholders which have undertaken to elect the Holdco Shares Alternative only) are entitled to either the Cash Alternative or Holdco Shares Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two, save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners). Scheme Shareholders who wish to receive the Holdco Shares Alternative should make a valid election for the Holdco Shares Alternative in accordance with this Scheme Document. Scheme Shareholders who do not make any election, or fail to make a valid election, for the Holdco Shares Alternative, will receive the Cash Alternative if the Scheme becomes effective. **The Cancellation Consideration will not be increased, and Holdco does not reserve the right to do so.**

Subject to the Scheme becoming effective, Holdco will make available for allotment and issuance such number of Holdco Shares as will be required under the Holdco Shares Alternative. The actual number of Holdco Shares to be made available for allotment and issuance under the Holdco Shares Alternative will be determined as at 11 October 2016, being two clear Business Days after the latest date to submit the Election Form to elect the Holdco Shares Alternative.

The Cancellation Consideration will not include any dividends which may be declared by the Company prior to the Effective Date. No dividends or other distributions have been or will be declared by the Company from the Announcement Date up to the earlier of the Effective Date and the date on which the Scheme lapses or is withdrawn, both dates inclusive.

As at the Latest Practicable Date, there were 2,699,301,830 Shares held by the Shareholders. In addition, there were (a) 23,131,034 Employee Share Rights and 20,702,345 Employee Share Warrants under the ESR Scheme, convertible into 43,833,379 Shares at an exercise price of HK\$1.525; (b) 709,270 Sales Agent Share Rights under the SASR Scheme, convertible into 709,270 Shares at an exercise price of HK\$1.525; and (c) no Share Options under the Share Option Scheme. Save as disclosed, the Company does not have any outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

### **The Cash Alternative**

The cash consideration of HK\$3.00 per Scheme Share under the Cash Alternative represents:

- (a) a premium of approximately 37.0% over the closing price of HK\$2.19 per Share as quoted on the Stock Exchange on the Undisturbed Date, being the last trading day prior to which there were irregular trading volumes and price movements in the Shares;
- (b) a premium of approximately 38.9% over the average closing price of approximately HK\$2.16 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Undisturbed Date;
- (c) a premium of approximately 37.6% over the average closing price of approximately HK\$2.18 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Undisturbed Date;

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## LETTER FROM THE BOARD

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- (d) a premium of approximately 37.0% over the average closing price of approximately HK\$2.19 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Undisturbed Date;
- (e) a premium of approximately 36.4% over the average closing price of approximately HK\$2.20 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Undisturbed Date;
- (f) a premium of approximately 22.4% over the closing price of HK\$2.45 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (g) a premium of approximately 35.1% over the average closing price of approximately HK\$2.22 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (h) a premium of approximately 36.4% over the average closing price of approximately HK\$2.20 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (i) a premium of approximately 36.4% over the average closing price of approximately HK\$2.20 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (j) a premium of approximately 36.4% over the average closing price of approximately HK\$2.20 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day; and
- (k) a premium of approximately 4.2% over the closing price of HK\$2.88 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The average daily trading volume over the Disturbed Period was 3,011,300 Shares. The average daily trading volume over the Undisturbed Period was 1,330,650 Shares. The share price of the Company traded up by 3.65%, 3.96% and 3.81% during the trading days in the Disturbed Period. In contrast, the Hang Seng Index traded down by 0.16%, 0.27% and up by 1.31% in the corresponding trading days in the Disturbed Period. The Company is not aware of any reason for the irregular trading volume or price movements in the Shares during the Disturbed Period.

During the period commencing one year preceding the Announcement Date, the highest closing price of Shares as quoted on the Stock Exchange was HK\$2.45 per Share on 29 June 2016, and the lowest closing price of Shares as quoted on the Stock Exchange was HK\$1.77 per Share on 25 August 2015.

During the Relevant Period, the highest closing price of Shares as quoted on the Stock Exchange was HK\$2.88 per Share on 29 August 2016, 30 August 2016 and 2 September 2016, and the lowest closing price of Shares as quoted on the Stock Exchange was HK\$1.85 per Share on 17 February 2016.

The Cash Alternative has been determined on a commercial basis after taking into account the prices of the Shares traded on the Stock Exchange, the trading multiples of comparable trading companies and with reference to other privatisation transactions in Hong Kong in recent years.

## LETTER FROM THE BOARD

### Holdco Shares Alternative

The actual number of Holdco Shares to be made available for allotment and issuance under the Holdco Shares Alternative will be determined as at 11 October 2016, being two clear Business Days after the latest date to submit the Election Form to elect the Holdco Shares Alternative. As at the Latest Practicable Date, there were 2,699,301,830 Shares. On this basis, if all the Scheme Shareholders (other than the Committed Cash Alternative Shareholder) elect the Holdco Shares Alternative, 75,968,594 Holdco Ordinary Shares and 5,064,595,423 Holdco Preference Shares shall be issued under the Holdco Shares Alternative, representing approximately 62.6% of the fully diluted issued ordinary share capital of Holdco and approximately 64.9% of the fully diluted issued preference share capital of Holdco respectively (calculated on the basis that all Optionholders receive the Option Amount in respect of all their Options). On this basis, the Founder's Group will own and control 36,300,101 Holdco Ordinary Shares and 2,420,017,461 Holdco Preference Shares, representing approximately 29.9% of the fully diluted issued ordinary share capital of Holdco and approximately 31.0% of the fully diluted issued preference share capital of Holdco respectively (calculated on the basis that all Optionholders receive the Option Amount in respect of all their Options).

*Assuming all the Scheme Shareholders (other than the Committed Cash Alternative Shareholder) elect the Holdco Shares Alternative and assuming all Optionholders receive the Option Amount in respect of all their Options:*

	As at the Latest Practicable Date	Immediately following implementation of the Proposal			
	% of the issued share capital	Number of Holdco Ordinary Shares (rounded to the nearest whole number)	Number of Holdco Preference Shares (rounded to the nearest whole number)	Amount of the total issued share capital (HK\$ millions)	% of the total issued share capital
Equityco <sup>(a)</sup> . . . . .	100	45,303,863 <sup>(b)</sup>	2,736,573,408 <sup>(b)</sup>	2,124.36 <sup>(b)</sup>	35.08
Founder's Group . . . . .	0	36,300,101	2,420,017,461	1,878.33 <sup>(b)</sup>	31.02
Orchid . . . . .	0	18,398,834	1,226,594,403	952.04 <sup>(b)</sup>	15.72
Others . . . . .	0	21,269,659	1,417,983,559	1,100.59 <sup>(b)</sup>	18.18
Total . . . . .	100	121,272,457 <sup>(b)</sup>	7,801,168,831 <sup>(b)</sup>	6,055.30 <sup>(b)</sup>	100.00

Notes:

(a) As at the Latest Practicable Date, Equityco owned all the issued Holdco Shares.

(b) The number of Holdco Ordinary Shares and Holdco Preference Shares held by Equityco immediately following the implementation of the Proposal as well as the amount of the issued share capital are calculated based on the exchange rate of HK\$7.75:US\$1.

As at the Latest Practicable Date, there were 2,699,301,830 Shares. On this basis, if all the Scheme Shareholders (other than the Committed Holdco Shares Alternative Shareholders) elect the Cash Alternative, 54,698,935 Holdco Ordinary Shares and 3,646,611,864 Holdco Preference Shares shall be issued under the Holdco Shares Alternative, representing approximately 54.7% of the fully diluted issued ordinary share capital of Holdco and approximately 57.1% of the fully diluted issued preference share capital of Holdco respectively (calculated on the basis that all Optionholders receive the Option Amount in respect of all their Options). On this basis, the Founder's Group will own and control 36,300,101 Holdco Ordinary Shares and 2,420,017,461 Holdco Preference Shares, representing approximately 36.3% of the fully diluted issued ordinary share capital of Holdco and approximately 37.9% of the fully diluted issued preference share capital of Holdco respectively (calculated on the basis that all Optionholders receive the Option Amount in respect of all their Options).

## LETTER FROM THE BOARD

*Assuming all the Scheme Shareholders (other than the Committed Holdco Shares Alternative Shareholders) elect the Cash Alternative and assuming all Optionholders receive the Option Amount in respect of all their Options:*

	As at the Latest Practicable Date	Immediately following implementation of the Proposal			
	% of the issued share capital	Number of Holdco Ordinary Shares (rounded to the nearest whole number)	Number of Holdco Preference Shares (rounded to the nearest whole number)	Amount of the total issued share capital (HK\$ millions)	% of the total issued share capital
Equityco <sup>(a)</sup> . . . . .	100	45,303,863 <sup>(b)</sup>	2,736,573,408 <sup>(b)</sup>	2,124.36 <sup>(b)</sup>	42.88
Founder's Group . . . . .	0	36,300,101	2,420,017,461	1,878.33 <sup>(b)</sup>	37.91
Orchid . . . . .	0	18,398,834	1,226,594,403	952.04 <sup>(b)</sup>	19.21
Others . . . . .	0	0	0	0.00	0.00
Total . . . . .	100	100,002,798 <sup>(b)</sup>	6,383,185,272 <sup>(b)</sup>	4,954.72 <sup>(b)</sup>	100.00

Notes:

(a) As at the Latest Practicable Date, Equityco owned all the issued Holdco Shares.

(b) The number of Holdco Ordinary Shares and Holdco Preference Shares held by Equityco immediately following the implementation of the Proposal as well as the amount of the issued share capital are calculated based on the exchange rate of HK\$7.75:US\$1

Holdco Shares are shares of a newly incorporated unlisted and exempted company incorporated in the Cayman Islands. As set out in “Appendix V—Estimates of Value of Holdco Shares” to this Scheme Document, J.P. Morgan has advised Holdco Board that on the basis of the assumptions and methodology outlined in “Appendix V—Estimates of Value of Holdco Shares”, an estimate of the value of a Holdco Ordinary Share is within a range of approximately HK\$0.0542 to HK\$0.0775 and an estimate of the value of a Holdco Preference Share is within a range of approximately HK\$0.5425 to HK\$0.7750.

**Shareholders should note that the Estimates of Value are provided to the Holdco Directors by J.P. Morgan solely for the purposes of paragraph 30 of Schedule I to the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. The Estimates of Value may not be used or relied upon by any third party for any purpose whatsoever and J.P. Morgan expressly disclaims any duty or liability to any third party with respect to the contents of its letter. Further, as stated in Appendix V, each of Holdco and J.P. Morgan expresses no opinion or recommendation to any person as to whether they should accept the Proposal or whether they should make any election to choose the Cash Alternative or the Holdco Shares Alternative. Shareholders are recommended to seek their own independent financial advice. Further, each of Holdco and J.P. Morgan expresses no opinion as to the fairness of the financial terms of the Proposal or the Rule 13 Offer.**

For further details, including key assumptions and methodology adopted in respect of the Estimates of Value, please refer to “Appendix V—Estimates of Value of Holdco Shares” to this Scheme Document.

The Holdco Ordinary Share(s) to be issued pursuant to the Proposal will be issued free from all encumbrances, credited as fully paid up and will rank pari passu with the existing Holdco Ordinary Share(s) at the date of issue. There is no dividend policy in respect of the Holdco Ordinary Share(s). There is no guarantee that any dividends will be paid nor is there any dividend payment schedule in



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## LETTER FROM THE BOARD

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respect of the Holdco Ordinary Share(s). Declaration and payment of Holdco Ordinary Share(s) dividends (if any) are in the absolute discretion of the Holdco Board, out of the realised or unrealised profits of the Company or out of the premium paid on the issue of any Holdco Share or as otherwise permitted by the Companies Law, and is also subject to the prior rights of payment of Holdco Preference Share(s) dividends to the Holdco Preference Shareholders. Holdco Ordinary Shareholders shall be entitled to receive notice of general meetings of Holdco and shall have the right to one vote per Holdco Ordinary Share at such meetings.

The Holdco Preference Shares to be issued pursuant to the Proposal will be issued free from all encumbrances, credited as fully paid up and will rank for any dividends or other distributions declared ahead of the Holdco Ordinary Shares. Each Holdco Preference Shareholder shall be entitled to receive a fixed cumulative yearly compounding preferential dividend at the rate of 12% of the original issue price (as adjusted for any share sub-divisions, share dividends, combinations, recapitalisations or similar transactions) per annum for each Holdco Preference Share held (“**Preference Dividends**”). The right to receive the Preference Dividends has priority over the rights of the holders of any other class of Holdco Shares to receive dividends on such other class of Holdco Shares. The Holdco Preference Shares do not offer any downside protection in that there is no capital protection guaranteed in the same way as there is none for Holdco Ordinary Shares. Payment of Preference Dividends is dependent on whether Holdco will have sufficient funds to legally distribute such dividends for such purposes on the annual payment date. There is no guarantee that any dividends will be paid on time in respect of the Holdco Preference Shares.

In addition, the Holdco Preference Shares can be redeemed (a) at the election of Holdco, subject to the consent of all of the Holdco Directors, or (b) automatically prior to a listing of any of the Holdco Group Companies on the Stock Exchange or any other recognised stock exchange as approved by Holdco Board. The Holdco Preference Shares shall not be redeemable at the option of the Holdco Preference Shareholders. The Holdco Preference Shares will be redeemed at an amount equal to the aggregate of (a) the par value of such Holdco Preference Shares, together with any amount credited to the share premium account in respect of such Holdco Preference Shares and (b) any accrued and unpaid Holdco Preference Share dividends as calculated up to and including the date on which such Holdco Preference Shares are redeemed by Holdco.

Holdco Preference Shareholders shall not be entitled to receive notice of general meetings of Holdco or to attend or vote at such meetings save as required by the Companies Law.

### **Risks relating to the holding of Holdco Shares**

**Investors should be aware of, among other things but not limited to, the following risk factors of holding Holdco Shares:**

- **Holdco Shares are not listed on any stock exchange and do not benefit from the protections afforded by the Listing Rules or the Takeovers Code;**
- **Holdco Shares are illiquid and there is no ready market in Holdco Shares;**
- **Holdco Shares are subject to certain transfer restrictions (please refer to the section headed “1. Transfer Restrictions” below);**
- **Holdco Shares are subject to the rights and restrictions set out in the Holdco Articles (please refer to the section headed “7. Share capital of Holdco and capital,**

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## LETTER FROM THE BOARD

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**dividends & voting rights of Holdco Shares” in Appendix III—General Information and “Appendix IV—Summary of Holdco Articles” to this Scheme Document);**

- **there is no guarantee that any dividend payments will be paid in respect of Holdco Shares;**
- **changes in the business and economic environment could adversely affect the operating profits of Holdco or the value of Holdco’s assets. For example, financial factors such as currency controls, devaluation or regulatory changes, or stability factors such as mass riots, civil war and other potential events could contribute to Holdco’s operational risks;**
- **there is currency risk as a result of Holdco’s assets and business operations being across national borders; and**
- **there is general business risk associated with the funeral and bereavement care services industry.**

### *1. Transfer Restrictions*

Transfers of Holdco Shares are subject to restrictions stipulated in the Holdco Articles. Save for limited exceptions, no Holdco Shares may be transferred, assigned or disposed of by any Holdco Shareholder from the Completion Date until the earlier of (a) the date on which the Investment Funds cease to directly or indirectly hold 16% or more of the Holdco Ordinary Shares or (b) the date which is five years after the completion of the withdrawal of listing of the Company from the Stock Exchange after the Effective Date.

If a Holdco Shareholder holds both Holdco Ordinary Shares and Holdco Preference Shares, such Holdco Ordinary Shares may only be transferred if (and no transfer will be permitted unless) there is also a transfer of a proportionate number of such Holdco Shareholder’s Holdco Preference Shares (and vice versa) so that the ratio of that Holdco Shareholder’s Holdco Ordinary Shares to Holdco Preference Shares remains unchanged after the transfer.

Under the Holdco Articles, in the event of a sale (through a single transaction or a series of related transactions) of more than 30% of all issued Holdco Ordinary Shares by a Holdco Shareholder(s) to a bona fide third party, the selling Holdco Shareholder(s) shall have the right but not the obligation to require all of the other Holdco Shareholders to transfer to the bona fide third party such portion of their Holdco Ordinary Shares that is equal to the proportion that the Holdco Ordinary Shares intended for transfer bear to such selling Holdco Shareholder(s)’ aggregate holding of Holdco Ordinary Shares. In the event of a sale (through a single transaction or a series of related transactions) of any Holdco Ordinary Shares by a Holdco Shareholder(s) to a bona fide third party, each of the Holdco Shareholders other than the selling Holdco Shareholders shall have the right but not the obligation to sell such portion of its Holdco Ordinary Shares that is equal to the same proportion as the Holdco Ordinary Shares intended for transfer bear to the selling Holdco Shareholder(s)’ aggregate holding of Holdco Ordinary Shares at that time and on terms and conditions no less favourable than those offered by the bona fide third party to the selling Holdco Shareholder(s).

Further, the Holdco Shares will not be tradable or transferable without the consent of the Holdco Board (which may be withheld in its absolute discretion, subject always to the laws of the



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## LETTER FROM THE BOARD

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Cayman Islands, including but not limited to the duties of the Holdco Directors) and will be shares of an unlisted Cayman Islands incorporated exempted company. The provisions in the Holdco Articles which enable the Holdco Board to withhold its consent in its absolute discretion to the transfer of Holdco Shares are standard for many private companies in the Cayman Islands. The issue and/or transfer of the Holdco Shares will be strictly regulated pursuant to the Holdco Articles and the rights of Scheme Shareholders in Holdco will primarily be governed by the Companies Law and the laws of the Cayman Islands.

### 2. *Change of Control*

If, in one or a series of related transactions, a person who directly or indirectly controls a Holdco Shareholder transfers shares or other interests in a company or entity to a transferee which results in a change of control of such Holdco Shareholder, such Holdco Shareholder shall notify the other Holdco Shareholders at the time and such other Holdco Shareholders may require the transferee to purchase all the Holdco Shares held by the other Holdco Shareholders. If the transferee fails to purchase the Holdco Shares held by the other Holdco Shareholders, the obligation to buy such Holdco Shares shall rest on the Holdco Shareholder which is affected by the change of control.

### 3. *Board Composition and Other Matters*

The number of Holdco Directors shall not be more than nine. Each Holdco Shareholder or group of Holdco Shareholders with a shareholding block of 11% of the Holdco Ordinary Shares in issue is entitled to appoint one Holdco Director and to remove or replace any such appointee. In the event that any such appointing Holdco Shareholder(s) ceases to hold a shareholding block of 11% of the Holdco Ordinary Shares in issue, such appointing Holdco Shareholder(s) shall procure the resignation of the relevant Holdco Director.

Resolutions to be passed at any meeting of the Holdco Board or questions arising at any such meeting shall be determined only by the approval of all of the Holdco Directors less one Holdco Director.

The quorum necessary for the transaction of the business of the Holdco Directors shall be all of the Holdco Directors less one Holdco Director. In the event that a meeting of Holdco Directors duly convened cannot be held for lack of quorum, the meeting shall be adjourned to the same time and day of the following week and at the same place and at least two days' written notice shall be given to the Holdco Directors in relation to such adjourned meeting. The quorum at such adjourned meeting shall be a simple majority of all Holdco Directors.

### 4. *Reserved Matters*

Holdco Articles set out three categories of voting thresholds for reserved matters, being: (a) matters which require the approval of all Holdco Directors less one Holdco Director, (b) matters which require the approval of no less than 85% Holdco Ordinary Shareholders, and (c) matters which require the approval of all Holdco Directors. To the extent that Holdco is able, Holdco shall procure that its direct and indirect subsidiaries will mirror these voting thresholds.

For further details of Holdco Articles, please refer to the section headed "7. Share capital of Holdco and capital, dividends & voting rights of Holdco Shares" in "Appendix III—General Information" and "Appendix IV—Summary of Holdco Articles" to this Scheme Document.

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## LETTER FROM THE BOARD

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### Options and the Rule 13 Offer

Your attention is drawn to “Appendix IX—Form of Rule 13 Offer Letter” to this Scheme Document.

As at the Latest Practicable Date, there were (a) 23,131,034 Employee Share Rights and 20,702,345 Employee Share Warrants under the ESR Scheme, convertible into 43,833,379 Shares at an exercise price of HK\$1.525; (b) 709,270 Sales Agent Share Rights under the SASR Scheme, convertible into 709,270 Shares at an exercise price of HK\$1.525; and (c) no Share Options under the Share Option Scheme. The following table sets out details of the Options:

	Number	Exercise Price (HK\$)	Exercise Period
<i>Options under ESR Scheme</i>			
<i>Employee Share Rights</i> .....	23,131,034	1.525	Until 31 December 2019 (subject to early termination in accordance with the terms of the ESR Scheme)
<i>Employee Share Warrants</i> .....	20,702,345	1.525	Until 31 December 2019 (subject to early termination in accordance with the terms of the ESR Scheme)
Total Options under the ESR Scheme .....	<u>43,833,379</u>		
<i>Options under SASR Scheme</i> .....	709,270	1.525	Until 31 December 2019 (subject to early termination in accordance with the terms of the SASR Scheme)
Total Options under the SASR Scheme .....	<u>709,270</u>		
<b>Total Options convertible into the same number of the Shares</b> .....	<u><u>44,542,649</u></u>		

Other than the Options, the Company does not have any outstanding convertible securities, warrants, options or derivatives in respect of any Shares. In the event that any Options are exercised on or prior to the Latest Option Exercise Date, any such Shares shall participate in the Scheme.

**As at the Latest Practicable Date, Mr. Soo Wei Chian, an executive Director of the Company, beneficially owned 1,000 Shares in the Company and held 20,702,345 Employee Share Warrants under the ESR Scheme. Other than Mr. Soo Wei Chian, no other Director has any interests in any Options. Mr. Soo has indicated that he intends to vote to approve the Scheme in the Court Meeting and the Reduction and Restoration in the EGM respectively in respect of the 1,000 Shares that he beneficially owns and have his Employee Share Warrants cancelled pursuant to the Rule 13 Offer.**

Pursuant to Rule 13 of the Takeovers Code, Holdco is making a cash offer to cancel the Options under the Rule 13 Offer, conditional upon the Scheme becoming effective. The Rule 13 Offer Letter to Optionholders setting out the terms and conditions of the Rule 13 Offer is being dispatched separately to Optionholders on the date of this Scheme Document and is substantially in the form set out in “Appendix IX—Form of Rule 13 Offer Letter” to this Scheme Document. The offer to cancel each Option is calculated on a “see-through” basis, so that each Optionholder will be entitled to receive

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## LETTER FROM THE BOARD

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a price for his/her Options being the amount by which the Cash Alternative exceeds the exercise price of his/her Options. Further details are set out in the section headed “3. Options and the Rule 13 Offer” in the Explanatory Memorandum of this Scheme Document.

If the Scheme is not sanctioned by the Grand Court or any of the Conditions are not satisfied and the Scheme does not become effective, the Rule 13 Offer will lapse and all Options will remain unaffected and will be exercisable during their relevant exercise periods pursuant to the terms of the ESR Scheme or the SASR Scheme.

Settlement of the Cash Alternative and cash element under the Holdco Shares Alternative as well as the Option Amount to which the Scheme Shareholders and the Optionholders are entitled under the Proposal and the Rule 13 Offer, respectively, will be implemented in full in accordance with the terms of the Proposal and the Rule 13 Offer, respectively, without regard to any lien, right of set-off, counterclaim or other analogous right to which Holdco may otherwise be, or claim to be, entitled against any such Scheme Shareholder or Optionholder.

### **3. TOTAL CONSIDERATION AND CONFIRMATION OF FINANCIAL RESOURCES**

On the basis that (a) all Committed Holdco Shares Alternative Shareholders elect the Holdco Shares Alternative, (b) the Committed Cash Alternative Shareholder and all the other Scheme Shareholders are to receive the Cash Alternative and (c) all Optionholders exercise their Options in full and become Scheme Shareholders and are to receive the Cash Alternative, the total maximum cash consideration payable under the Proposal is HK\$5,401,170,470.26, of which HK\$3,022,276,443.00 will be payable under the Cash Alternative in respect of 1,007,425,481 Scheme Shares (including Shares issued upon exercise of Options by the Optionholders but excluding the Committed Holdco Shares Alternative Shares) and HK\$2,378,894,027.26 will be payable under the cash consideration portion of the Holdco Shares Alternative in respect of 1,736,418,998 Committed Holdco Shares Alternative Shares.

Holdco intends to finance the amount payable under the Proposal and the Rule 13 Offer from a combination of external debt financing and funds contributed indirectly by the Investment Funds to Holdco.

J.P. Morgan has been appointed as the financial advisor to Holdco in respect of the Proposal. J.P. Morgan is satisfied that sufficient financial resources are available to Holdco for the full implementation of the Proposal and the Rule 13 Offer in accordance with their terms.

### **4. CONDITIONS OF THE PROPOSAL**

The Proposal is subject to the fulfilment or waiver (as applicable) of the Conditions as set out in the section headed “5. Conditions of the Proposal” in the Explanatory Memorandum on pages 69 to 71 of this Scheme Document. When the Conditions are fulfilled or waived (as applicable), the Scheme will become effective and binding on the Company, Holdco, Bidco and all the Scheme Shareholders.

Holdco reserves the right (but is not obliged) to waive any of Conditions (e), (f), (g), (h), (i), (j) and (k), either in whole or in respect of any particular matter. Conditions (a), (b), (c) and (d) cannot be waived in any event. In respect of condition (e), as at the date of this Scheme Document, Holdco and

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## LETTER FROM THE BOARD

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the Company do not reasonably foresee any necessary Authorisations required in connection with the Proposal from, with or by (as the case may be) the relevant Authorities in the Cayman Islands, Hong Kong and any other relevant jurisdictions, save for the Authorisations set out as a Condition, the sanction of the Grand Court, the registration of the order and relevant minutes in respect of the Reduction with the Registrar of Companies and the delivery to the Registrar of Companies of a copy for registration of the Court Order. In respect of Condition (h), as at the date of this Scheme Document, Holdco and the Company are not aware of any consent, approval, authorisation, permission, waiver or exemption from any relevant Authority or other third parties which are necessary for the performance of the Scheme under the applicable laws and regulations. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, Holdco may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of material significance to Holdco in the context of the Proposal. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the Conditions.

**Shareholders, Optionholders and investors should note that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived (as applicable). Therefore, the Proposal may or may not become effective and the Scheme may or may not become effective. Shareholders and potential investors are advised to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisors.**

### 5. IMPLEMENTATION AGREEMENT

On 8 July 2016, Holdco, Equityco and the Company entered into the Implementation Agreement, pursuant to which the parties agreed that Holdco will pursue the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares and allotment and issue of New Shares to Bidco, an indirect wholly-owned subsidiary of Holdco. If the Proposal is approved and implemented, it will result in the Company becoming a direct wholly-owned subsidiary of Bidco and an indirect wholly-owned subsidiary of Holdco and the listing of the Shares will be withdrawn from the Stock Exchange.

Pursuant to the Implementation Agreement, the Company and Holdco will use all commercially reasonable endeavours to implement the Scheme and the Rule 13 Offer in accordance with the timetable of the Scheme and Holdco will provide such cooperation and assistance to the Company as the Company may reasonably request. The Company undertakes not to withdraw the Scheme or allow the Scheme to lapse or procure the withdrawal or lapse of the Scheme without the express written consent of Holdco. The Scheme may be varied or amended upon request by Holdco.

In addition, the Company undertakes that it will not, and will procure that no member of the Group shall solicit, encourage or otherwise seek to procure the submission of proposals or indications of interests or offers of any kind which are reasonably likely to lead to an Alternative Proposal from any person other than Holdco, or enter into, or participate in, any discussions or negotiations (other than responding to unsolicited enquiries) with any such person in relation to an Alternative Proposal, or provide any due diligence information on the Company and the Group to any third party in connection with a possible competing offer, save to the extent that the Board reasonably considers that not to do so would be reasonably likely to be inconsistent with their directors' duties, having taken appropriate external legal advice, or as required under Rule 6 of the Takeovers Code or other applicable laws. If

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## LETTER FROM THE BOARD

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any member of the Group (or its directors, employees, advisers or agents) is approached for any Alternative Proposal or receives requests for information under Rule 6 of the Takeovers Code, the Company shall notify Holdco as soon as permitted by applicable laws. The Company will not withdraw the Scheme or permit any recommendation to be withdrawn or modified for a period of five business days following announcement of an Alternative Proposal and during such period the Board will not make any recommendation as to the Alternative Proposal. However, if Holdco communicates a revision of the terms of the Proposal such that the terms of the Proposal (as so revised) are no less favourable to the Shareholders than the terms of the Alternative Proposal to the Company within the five business days period referred to above, subject to the views of the Independent Board Committee, the Board will, if it had recommended the Proposal, continue to provide an unqualified recommendation of the revised Proposal and shall make an announcement to this effect.

The Company will promptly announce any Alternative Proposal(s) it receives and which the Board considers as credible proposal(s). Such Alternative Proposal(s) announced will be subject to further recommendation by the Board.

Furthermore, the Company has undertaken to Holdco that it will not (and will procure that each member of the Group will not) without the prior consent of Holdco (during the period between the date of the Implementation Agreement and the earlier of the Effective Date and the date of termination of the Implementation Agreement) do, among other things, the following (save for any action required to give effect to the Proposal and otherwise than as contemplated in this Scheme Document or other document required to be published in connection with the Scheme and the Implementation Agreement):

- (a) carry on their respective businesses other than in the ordinary and usual course;
- (b) save for the obligations in respect of existing Options, allot, issue, authorise or propose the issue of any securities or make any change to its share capital;
- (c) recommend, propose, declare, pay or make any bonus issue, dividend or other distribution whether payable in cash or otherwise;
- (d) merge with any body corporate or acquire or dispose of any assets or authorise, propose or announce any intention to propose any merger, demerger, acquisition or disposal;
- (e) issue, authorise or propose the issue of any debentures or, save in the ordinary course of business, incur or increase any indebtedness or contingent liability;
- (f) enter into any contract, arrangement or commitment which is of a long-term, onerous or unusual nature or magnitude which, in any case, is material in the context of the Group taken as a whole; and
- (g) transfer, assign or sub-license to any third party any intellectual property which it owns or has the right of use as at the date of the Implementation Agreement as well as any other intellectual property which it subsequently acquires or obtains the right of use of.

The Company also warrants to Equityco on certain customary aspects including among other things, corporate matters, assets and properties, intellectual property, employment, litigation and annual unaudited contract sales of the Group for (a) the three years ended 31 December 2013, 2014 and 2015 as published by the Company on the Stock Exchange's website, (b) the three-month period ended 31 March 2016 as published by the Company on the Stock Exchange's website, and (c) the two-month

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period ended 31 May 2016, and that each of the warranty is true, accurate and not misleading as at the date of the Implementation Agreement, the despatch date of this Scheme Document and the Effective Date or the date as otherwise specified in the relevant warranty, as the case may be.

Under the terms of the Implementation Agreement, Holdco will be entitled to terminate the Implementation Agreement prior to the Effective Date, by way of service of a written notice to the Company, following a failure of any of the Conditions (which cannot be waived), or if the recommendation of the Directors as to whether the Shareholders should vote to approve the Proposal at the Court Meeting and at the EGM contained in this Scheme Document is withdrawn at any time prior to the Grand Court's sanction of the Scheme and confirmation of the Reduction. There are no prescribed circumstances under the Implementation Agreement under which such recommendation of the Directors may be withdrawn. The Directors may, for example, withdraw any recommendation for the Proposal in the future if it receives a takeover offer from a third party on terms which are more favourable to Scheme Shareholders than the terms of the Proposal and Holdco fails to within five business days following the announcement of the takeover offer from the third party revise the terms of the Proposal such that the terms of the Proposal (as so revised) are no less favourable than those offered by the third party.

The Grand Court and other corporate procedures for implementing the Proposal are carried out by the Company in accordance with the terms of the Implementation Agreement, subject to the relevant laws in the Cayman Islands and the Takeovers Code. Should the Implementation Agreement be terminated, the continued implementation of the Proposal is dependent upon the Company, the result of which is effectively controlled by the Board, and the Company's implementation of the Proposal will be subject to the relevant laws in the Cayman Islands and the Takeovers Code and in particular, the Directors will have regard to their duties as Directors as to whether or not to proceed with the Proposal.

The termination of the Implementation Agreement will not affect Holdco's obligations under the Takeovers Code in respect of the Proposal and therefore Holdco's obligations under the Takeovers Code in respect of the Proposal (including the obligation under the Takeovers Code for an offeror to proceed with an offer unless the offer is subject to the fulfilment of a specific condition and that condition has not been met) remain unaffected regardless of whether the Implementation Agreement is terminated. As discussed above, the Grand Court and other corporate procedures for implementing the Proposal are carried out by the Company. Therefore to that extent, Holdco is reliant on the Directors to implement the Proposal in accordance with the relevant laws in the Cayman Islands and the Takeovers Code, and in this regard, the Directors are under a fiduciary duty to act in the best interest of the Company. This is the case irrespective of whether the Implementation Agreement exists or is terminated. Accordingly, the position of the Shareholders in relation to the Scheme will not be prejudiced in the event of the termination of the Implementation Agreement.

### **6. IRREVOCABLE UNDERTAKINGS TO ACCEPT THE PROPOSAL**

Holdco has received Irrevocable Undertakings from the Committed Shareholders, pursuant to which each of the Committed Shareholders has undertaken to, amongst other things, vote (or procure votes) to approve the Scheme at the Court Meeting and the Reduction and the Restoration at the EGM respectively in respect of the Committed Shares (which in aggregate represent approximately 74.99% of the issued share capital of the Company as at the Latest Practicable Date). Pursuant to the Irrevocable Undertakings, (a) AIF has committed to elect the Cash Alternative as the form of



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Cancellation Consideration, and (b) each of Rightitan and Orchid has committed to elect the Holdco Shares Alternative as the form of Cancellation Consideration. Accordingly, under the Scheme, Holdco will, through Bidco, be entitled to (a) 287,677,002 Shares from AIF for a total consideration of HK\$863,031,006.00 in cash paid by Holdco, (b) 1,152,347,563 Shares from Rightitan for a total consideration of approximately HK\$1,578,716,161.31 in cash paid by Holdco, 36,300,101 Holdco Ordinary Shares and 2,420,017,461 Holdco Preference Shares, and (c) 584,071,435 Shares from Orchid for a total consideration of approximately HK\$800,177,865.95 in cash paid by Holdco, 18,398,834 Holdco Ordinary Shares and 1,226,594,403 Holdco Preference Shares. As at the Latest Practicable Date, none of the Committed Shareholders hold any Options.

### **The Rightitan Irrevocable Undertaking**

Under the Rightitan Irrevocable Undertaking, Rightitan irrevocably undertook to (a) to the extent permitted by SFC and applicable laws exercise or procure the exercise of the voting rights attached to Shares that it holds at the Court Meeting to approve the Scheme and at the EGM to approve the Reduction and the Restoration, respectively; and (b) elect the Holdco Shares Alternative as the form of Cancellation Consideration. If the Scheme becomes effective, Rightitan will receive from Holdco HK\$1,578,716,161.31 in cash, 36,300,101 Holdco Ordinary Shares and 2,420,017,461 Holdco Preference Shares.

In addition to the above undertakings, Rightitan also undertook that, among other things, it shall not, before the Effective Date (or if the Scheme or the Reduction and the Restoration are not approved at the Court Meeting or the EGM, before the date of the Court Meeting) and other than in connection with the Scheme or pursuant to the above undertakings (a) dispose of or otherwise create any encumbrances on all or any of the Shares that it holds; (b) accept, and shall exercise or procure the exercise of such voting rights against, any other offer or proposals in respect of the Shares that it holds or in respect of the disposal of material assets of the Group by any person other than Holdco; (c) except with the prior written consent of Holdco, purchase any Shares or other securities of the Company (or any interest therein); (d) except to the extent required by the Takeovers Code, the SFC, the Listing Rules, the Stock Exchange or any applicable laws, enter into any agreement or arrangement in relation to its Shares or to do all or any of the acts referred to in (a), (b) and (c) of this paragraph which would or might restrict or impede the implementation of the Proposal and the Scheme by the Company or Rightitan's ability to comply with its Irrevocable Undertaking; (e) except to the extent required under the Takeovers Code, the Listing Rules or any applicable laws, take any action or make any statement which may have the effect of delaying, disrupting or otherwise causing the Scheme not to become effective, or which may be prejudicial to the success of the Scheme; or (f) save for any action required to give effect to the Proposal and the Scheme and otherwise than as contemplated in this Scheme Document, without prior written consent of Holdco, purchase, redeem or repay any of its own Shares or securities or make any change to any part of its share capital.

Rightitan further undertook that unless consented by Holdco, it shall not approve any frustrating action (as defined in Rule 4 of the Takeovers Code) proposed by the Board, including but not limited to the declaration or payment of any dividends or other distributions by the Company during the offer period of this Scheme.

Under the Rightitan Irrevocable Undertaking, Rightitan warranted, among other things, to (a) Holdco that, the distributable cash balance of the Group as at certain reference dates shall not be less than US\$120 million; and (b) Equityco and Holdco certain customary warranties relating to the

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## LETTER FROM THE BOARD

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Company, including that the contract sales of the Company for (i) the three years ended 31 December 2013, 2014 and 2015 as published by the Company on the Stock Exchange's website, (ii) the three-month period ended 31 March 2016 as published by the Company on the Stock Exchange's website and (iii) the two-month period ended 31 May 2016 are true, accurate and not misleading as at the relevant time when such results were published on the Stock Exchange or as at their reference date, as the case may be.

A sum of US\$10 million is held in an escrow account which Holdco may deduct from (subject to certain remedial actions that the Company may take), if there is a breach of the distributable cash balance warranty.

Each of Rightitan and Equityco has undertaken to each other that during the Non-Compete Period, subject to limited exceptions it shall not and shall procure its affiliates not to: (a) without the prior written consent of the other, be interested in any company which is engaged or involved in the Restricted Business; or otherwise engage or be involved or participate or invest in or provide other support, financial or otherwise, to any company which is engaged or involved in any Restricted Business; (b) seek orders from or do businesses with customers of a member of the Group at the relevant time or in the 12-month period prior to such time (other than in respect of business that is unrelated to the Restricted Business); (c) solicit for engagement or employment a director, officer or manager of a member of the Group (or such persons who was a director, officer or manager of a member of the Group during the 12 months prior to the date of such solicitation or contact) (other than a person who was terminated by a member of the Group); (d) seek to contract with suppliers of products, goods, materials or services to any member of the Group at the relevant time or in the 12-month period prior to such time (other than in respect of products or businesses that are being procured for matters unrelated to the Restricted Business); or (e) use or grant or agree to grant the right to use any trademark, business name or mark, domain name or any website or otherwise operate under any name containing (i) the word(s) "Nirvana", "富贵", "富貴", "富贵生命" or "富貴生命" or (ii) any business or trade name used exclusively by any member of the Group at the date which is no later than seven business days after the Effective Date or (iii) any other word(s) closely resembling any such word(s) or business or trade name (other than in respect of business that is unrelated to the Restricted Business).

The Rightitan Irrevocable Undertaking can be terminated immediately if (a) the Announcement fails to be published in accordance with such Irrevocable Undertaking; (b) the Scheme is not implemented by the Long Stop Date; (c) the Scheme is not approved at the Court Meeting; (d) the Reduction or the Restoration is not approved at the EGM; or (e) the Grand Court does not sanction the Scheme or confirm the Reduction.

### **The AIF Irrevocable Undertaking**

Under the Irrevocable Undertaking given by AIF, AIF irrevocably undertook to (a) exercise or procure the exercise of the voting rights attached to Shares that it holds at the Court Meeting to approve the Scheme and at the EGM to approve the Reduction and the Restoration, respectively; and (b) elect the Cash Alternative as the form of Cancellation Consideration, in each case, in accordance with the terms and subject to the conditions set out in this Scheme Document. If the Scheme becomes effective, AIF will receive from Holdco HK\$863,031,006.00 in cash.

In addition to the above undertakings, AIF also undertook that, among other things, it shall not, before the Effective Date (or if the Scheme or the Reduction and the Restoration are not approved at



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## LETTER FROM THE BOARD

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the Court Meeting or the EGM, as the case may be, before the date of the Court Meeting), other than in connection with the Scheme or pursuant to the above undertakings (a) encumber or otherwise dispose of all or any of the Shares that it holds; (b) accept any other offer or proposals in respect of the Shares that it holds by any person other than Holdco; or (c) enter into any agreement or arrangement to do all or any of the acts referred to in (a), (b) and (c) of this paragraph, which would or might restrict or impede the implementation of the Proposal and the Scheme by any person or AIF's ability to comply with its Irrevocable Undertaking.

Furthermore, AIF irrevocably undertook, among other things, that

- (a) it shall exercise the voting rights attached to the Shares it holds on any resolution which would assist implementation of the Scheme in accordance with Holdco's reasonable instructions;
- (b) it shall exercise the voting rights attached to the Shares it holds against any resolution which purports to approve a proposal to acquire any Shares or any material assets of the Company by any person other than Holdco;
- (c) it shall not make, and not permit any company in which it has any interest to, make any offer to acquire the whole or any part of the issued share capital of the Company;
- (d) it shall not enter into any agreement or arrangement with any person to do any of the acts referred to in this paragraph;
- (e) except to the extent required under the Takeovers Code, the Listing Rules or any applicable laws, it shall not take any action or make any statement which may have the effect of delaying, disrupting or otherwise causing the Scheme not to become effective, or which may be prejudicial to the success of the Scheme; and
- (f) it shall not approve any frustrating action (as defined in Rule 4 of the Takeovers Code) proposed by the Board, including but not limited to the declaration or payment of any dividends or other distributions by the Company during the offer period of this Scheme.

The Irrevocable Undertaking given by AIF shall terminate immediately if (a) the Announcement fails to be published in accordance with the terms of such Irrevocable Undertaking; (b) the Scheme is not implemented by the Long Stop Date; (c) the Scheme is not approved at the Court Meeting; (d) the Reduction is not approved at the EGM; (e) the Grand Court does not sanction the Scheme or confirm the Reduction; or (f) AIF elects at its option to terminate subsequent to a third party unrelated to AIF or its affiliates making an announcement pursuant to Rule 3.5 of the Takeovers Code at a cash price per Share that is higher than the Cash Alternative.

### **The Orchid Irrevocable Undertaking**

Under the Irrevocable Undertaking given by Orchid, Orchid irrevocably undertook to (a) exercise or procure the exercise of the voting rights attached to Shares that it holds at the Court Meeting and the EGM to approve the Scheme, the Reduction and the Restoration, respectively; and (b) elect the Holdco Shares Alternative as the form of Cancellation Consideration, in each case, in accordance with the terms and subject to the conditions set out in this Scheme Document. If the Scheme becomes effective, Orchid will receive from Holdco HK\$800,177,865.95 in cash, 18,398,834 Holdco Ordinary Shares and 1,226,594,403 Holdco Preference Shares.

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In addition to the above undertakings, Orchid also undertook that, among other things, it shall not, before the Effective Date (or if the Scheme or the Reduction and the Restoration is not approved at the Court Meeting or the EGM, as the case may be, before the date of the Court Meeting or the EGM, as the case may be), other than in connection with the Scheme or pursuant to the above undertakings (a) encumber or otherwise dispose of all or any of the Shares that it holds; (b) accept any other offer or proposals in respect of the Shares that it holds by any person other than Holdco; or (c) except with the prior written consent of Holdco, purchase any Shares or other securities of the Company (or any interest therein).

Furthermore, Orchid irrevocably undertook, among other things, that:

- (a) it shall exercise the voting rights attached to the Shares it holds on any resolution which would assist implementation of the Scheme in accordance with Holdco's reasonable instructions;
- (b) it shall exercise the voting rights attached to the Shares it holds against any resolution which purports to approve a proposal to acquire any Shares or any material assets of the Company by any person other than Holdco; and
- (c) Orchid shall not, and not permit any company in which it has any interest to, make any offer to acquire the whole or any part of the issued share capital of the Company.

The Irrevocable Undertaking given by Orchid shall terminate immediately if (a) the Announcement fails to be published in accordance with the terms of such Irrevocable Undertaking; (b) the Scheme is not implemented by the Long Stop Date; (c) the Scheme is not approved at the Court Meeting; (d) the Reduction is not approved at the EGM; or (e) the Grand Court does not sanction the Scheme or confirm the Reduction.

As at the Latest Practicable Date, save as disclosed above, Holdco Board has confirmed that no other persons have irrevocably committed themselves to vote to approve or reject the Scheme at the Court Meeting or the resolutions to be proposed at the EGM.

## 7. SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, there were 2,699,301,830 Shares in issue, and all Shareholders are entitled to vote at the Court Meeting and at the EGM respectively. Votes of Shareholders who are not Disinterested Scheme Shareholders will (a) not be counted for the purpose of satisfying the additional requirements under Rule 2.10 of the Takeovers Code in the manner referred to in the section headed "9. Additional Requirements Imposed by Rule 2.10 of the Takeovers Code" in the Explanatory Memorandum on page 78 of this Scheme Document and (b) not to be taken into account in respect of the ordinary resolution at the EGM to approve the terms of the MIP (details of the MIP are set out in the section headed "10. Management Incentive Plan" below).

Your attention is drawn to the sections headed "11. Shareholding Structure of the Company" and "12. Shareholding Structure of Bidco and Holdco" in the Explanatory Memorandum on pages 78 to 80 of this Scheme Document.

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## LETTER FROM THE BOARD

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### 8. REASONS FOR AND BENEFITS OF THE PROPOSAL

Holdco Board and the Board (other than members of the Independent Board Committee) are of the view that the terms of the Proposal are attractive to the Shareholders and the Proposal will be beneficial to the Shareholders in a number of ways.

#### **Exit investments with limited liquidity**

Holdco Board and the Board (other than members of the Independent Board Committee) note that average daily trading volumes have been limited since the Company's initial public offering in December 2014:

- (a) the average daily trading volume of the Shares during the Undisturbed Period was 1,330,650 Shares per day, which is less than 0.05% of the total number of Shares in issue as at the Latest Practicable Date;
- (b) the average daily trading volume of the Shares between 1 January 2016 and the Undisturbed Date was 1,568,047 Shares per day, which is approximately 0.06% of the total number of Shares in issue as at the Latest Practicable Date; and
- (c) the average trading volume of the Shares for the period of 52 weeks prior to and including the Undisturbed Date was 2,227,050 Shares per day, which is approximately 0.08% of the total number of Shares in issue as at the Latest Practicable Date.

In this regard, Holdco Board and the Board (other than members of the Independent Board Committee) are of the view that the Proposal provides an opportunity for Shareholders to realise their holdings in a stock with limited liquidity in return for cash.

#### **Unlock value at a premium**

The Shares were historically traded at a discount to the initial public offering price of HK\$3.00 per Share. The closing price of the Shares on the Undisturbed Date of HK\$2.19 per Share represented a 27.0% decrease in value compared to its initial public offering price, compared to the Hang Seng Index which had a 10.3% decrease over the equivalent period. The closing price of the Shares dropped to HK\$2.10 per Share on 17 December 2014 (the date on which the Shares were first traded on the Stock Exchange), and the 52-week historical high closing price was HK\$2.40 per Share prior to and including the Undisturbed Date. The Cancellation Consideration provides a 7.5% premium to the highest ever closing price for the Shares since its initial public offering until and including the Undisturbed Date, which was HK\$2.79 per Share on 22 April 2015.

Given the Cash Alternative under the Proposal of HK\$3.00 per Scheme Share and the premia set out above in the section headed "2. Terms of the Proposal—The Cash Alternative", Holdco Board and the Board (other than members of the Independent Board Committee) are of the view that the Proposal provides an opportunity for Shareholders to realise their investment and invest such cash in other investment opportunities that they may consider more attractive.

#### **Realise gains in current uncertain market conditions**

The Proposal provides the Shareholders with an opportunity to realise their investment in the Company for cash during current uncertain market conditions. The Hong Kong stock market has been

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## LETTER FROM THE BOARD

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considerably volatile since 2015, with Hang Seng index down 28.8% from its highest point in 2015 to the Undisturbed Date. Global markets are subject to further potential uncertainties in the face of certain recent political and economic events including Brexit.

### **Opportunity to continue to invest in the Company**

The Proposal will provide the Shareholders, through the election of the Holdco Shares Alternative, to remain invested in the Company's integrated funeral and bereavement care platform, subject to the risk factors of holding Holdco Shares as specified above in the section headed "2. Terms of the Proposal—Risks relating to the holding of Holdco Shares".

On the basis of the foregoing, the Directors (other than members of the Independent Board Committee) have decided to put forward to the Shareholders for their consideration, and proceed with, the Proposal.

Your attention is drawn to the risk factors of holding Holdco Shares set out in the section above headed "2. Terms of the Proposal—Risks relating to the holding of Holdco Shares" set out in this Letter from the Board on pages 18 to 19 of this Scheme Document.

### **9. HOLDCO'S INTENTION REGARDING THE COMPANY**

Following implementation of the Proposal, Holdco intends that the Group will continue to carry on its current business of funeral and bereavement care services.

Holdco has no plans, in the event the Scheme becomes effective, to (a) make any major changes to the business of the Company including the redeployment of assets of the Group; or (b) discontinue the employment of the employees of the Group.

Holdco intends to hold its shares in the Company following the Effective Date for at least three years.

The Board has considered Holdco's intentions as set out in this section and is of the view that, based on Holdco's plans, there will be no material change to the existing businesses of the Group and the employees of the Group.

### **10. MANAGEMENT INCENTIVE PLAN**

Upon the Scheme becoming effective, Holdco intends to adopt the MIP for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. The proposed eligible participants ("**MIP Participants**") are currently envisaged to be nine (9) key members of the management team in the Group, all of whom are the Shareholder MIP Participants and hold in aggregate 0.004% of the Company's issued share capital as at the Latest Practicable Date. As the MIP Participants have extensive operational expertise and an in-depth understanding of the Group's business and industry, it is important for the MIP Participants to have an indirect stake in the Company (through the MIP Participants' stake in Holdco, which will be an indirect holding company of the Company upon the Scheme becoming effective) so that they will be incentivised to continue to contribute to the development of the Group.

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## LETTER FROM THE BOARD

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As the MIP is available only to the MIP Participants, all of whom are Shareholders as at the Latest Practicable Date, and is not offered to all Scheme Shareholders, the MIP constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive under Note 3 to Rule 25 of the Takeovers Code. Holdco has therefore made an application to the Executive for its consent to the MIP as a special deal under Rule 25 of the Takeovers Code, conditional on (i) the Independent Financial Advisor publicly stating that in its opinion that the proposed terms of the MIP are fair and reasonable; and (ii) the passing of an ordinary resolution of the Shareholders at the EGM to approve the terms of the MIP, provided that only the votes of independent Shareholders who are not interested in or involved in the MIP (Shareholder MIP Participants being interested) are taken into account in relation to such resolution and further provided that the votes of Shareholders who are not Disinterested Scheme Shareholders that are voted either in person or by proxy at the EGM in relation to the MIP will not be taken into account.

Your attention is drawn to the section headed “19. Management Incentive Plan” in the Explanatory Memorandum on pages 89 to 90 of this Scheme Document.

### **11. INFORMATION ON THE COMPANY AND THE OFFEROR GROUP**

Your attention is drawn to the section headed “15. Information on the Company” in the Explanatory Memorandum on pages 86 to 87 of this Scheme Document and the section headed “16. Information on Bidco, Holdco and Equityco” in the Explanatory Memorandum on pages 87 to 88 of this Scheme Document. Your attention is also drawn to the “Financial Information of the Group” set out in Appendix I to this Scheme Document and the “Property Valuation” set out in Appendix II to this Scheme Document.

### **12. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS**

Your attention is drawn to the section headed “20. Overseas Shareholders and Overseas Optionholders” in the Explanatory Memorandum on pages 90 to 91 of this Scheme Document.

### **13. COURT MEETING AND EGM**

In accordance with the directions of the Grand Court, the Court Meeting will be held on 28 September 2016 for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification(s)). The Scheme is conditional upon, among other things, approval by a majority in number of Scheme Shareholders representing not less than 75% in value of the Scheme Shares present and voting in person or by proxy at the Court Meeting. In addition (a) the Scheme is to be approved (by way of poll) by at least 75% of the votes attaching to the Disinterested Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and (b) the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is to be not more than 10% of the votes attaching to all Disinterested Scheme Shares held by all the Disinterested Scheme Shareholders.

As at the Latest Practicable Date, the Disinterested Scheme Shareholders held in aggregate 1,546,845,267 Shares. On that basis, and assuming none of the Options are exercised, 10% of the votes attached to all Disinterested Scheme Shares represent approximately 154,684,527 Shares as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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The EGM will be held on 28 September 2016, immediately following the conclusion or adjournment of the Court Meeting, for the purpose of considering and, if thought fit, passing a special resolution to approve, among others, the Reduction by the cancellation of the Scheme Shares, and passing ordinary resolutions to approve (a) the immediate increase of the Company's issued share capital to its former level and the application of the credit arising in the Company's books of account as a result of the Reduction in paying up in full and issuing to Bidco the New Shares; (b) the termination of the ESR Scheme and the SASR Scheme on the Effective Date, subject to the Scheme becoming effective; and (c) the terms of the MIP, subject to the Scheme becoming effective. All Shareholders will be entitled to attend and vote at the EGM. The special resolution will be passed provided that it is approved by not less than three-fourths of the votes cast by the Shareholders voting in person or by proxy at the EGM. Each of the ordinary resolutions will be passed if more votes are cast in favour of such ordinary resolution than against it by the Shareholders voting in person or by proxy at the EGM, provided that in respect of the ordinary resolution to approve the terms of the MIP, only the votes of independent Shareholders who are not interested in or involved in the MIP (Shareholder MIP Participants being interested) are taken into account and further provided that the votes of Shareholders who are not Disinterested Scheme Shareholders that are voted either in person or by proxy at the EGM in relation to the MIP will not be taken into account.

The Committed Shareholders have pursuant to the Irrevocable Undertakings undertaken to vote (or procure votes) to approve the Scheme at the Court Meeting and the Reduction and immediate restoration of the Company's issued share capital and application of credit for issuance of New Shares to Bidco at the EGM in respect of the Committed Shares (which represent approximately 74.99% of the issued share capital of the Company as at the Latest Practicable Date).

Notice of the Court Meeting is set out in Appendix VII to this Scheme Document. The Court Meeting will be held on 28 September 2016 at the time specified in the notice of the Court Meeting. A **pink** form of proxy for the Court Meeting is enclosed with this Scheme Document.

Notice of the EGM is set out in Appendix VIII to this Scheme Document. The EGM will be held at 9:30 a.m. or as soon thereafter as the Court Meeting convened for the same day and place shall have been concluded or adjourned. A **white** form of proxy for the EGM is enclosed with this Scheme Document.

Pursuant to article 20.1 of the articles of association of the Company, a resolution put to the vote of the EGM shall be decided by way of a poll save that the chairman of the EGM may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Procedural and administrative matters are those that (a) are not on the agenda of the EGM or in any supplementary circular that may be issued by the Company to the Shareholders; and (b) relate to the chairman's duties to maintain the orderly conduct of the EGM and/or allow the business of the EGM to be properly and effectively dealt with, whilst allowing all Shareholders a reasonable opportunity to express their views.

Voting at the Court Meeting and at the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Scheme will take effect when the Court Order has been delivered to the Registrar of Companies for registration pursuant to Section 86(3) of the Companies Law. If the Scheme becomes



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## LETTER FROM THE BOARD

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effective under the Companies Law, it will be binding on the Company and all Scheme Shareholders irrespective of whether they attended or voted, and if they voted, whether they voted for or against the Scheme at the Court Meeting.

**It is important that as many votes as possible are cast at the Court Meeting so that the Grand Court may be satisfied that there is a fair and reasonable representation of opinion of the Shareholders. You are therefore strongly urged to complete and return your form of proxy for the Court Meeting as soon as possible.**

Further details of the Court Meeting and the EGM are set out in the section headed “25. Court Meeting and EGM” in the Explanatory Memorandum on pages 94 to 97 of this Scheme Document.

### **14. ACTION TO BE TAKEN**

The actions which you are required to take in relation to the Proposal are set out in the section headed “27. Action to be Taken” in the Explanatory Memorandum on pages 98 to 101 of this Scheme Document.

### **15. RECOMMENDATION**

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Proposal, the Rule 13 Offer and the MIP as set out in the Letter from the Independent Board Committee on pages 36 to 37 of this Scheme Document.

### **16. SHARE CERTIFICATES, DEALINGS, WITHDRAWAL OF LISTING, REGISTRATION AND PAYMENT**

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished (with the New Shares being issued to Bidco) and the share certificates for the Scheme Shares will thereafter cease to have effect as document or evidence of title, and the register of members of the Company will be updated to reflect the same. The Company will apply to the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules. Dealings in the Shares on the Stock Exchange are expected to cease after 4:00 p.m. on Thursday, 29 September 2016, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Friday, 7 October 2016. Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. The Scheme will lapse if it does not become effective on or before the Long Stop Date, and the Shareholders will be notified by way of an announcement accordingly.

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or lapses.

Your attention is drawn to the sections headed “21. Share Certificates, Dealings and Listing” and “22. Registration and Payment” in the Explanatory Memorandum on pages 91 to 94 of this Scheme Document.

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## LETTER FROM THE BOARD

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### 17. TAXATION, EFFECTS AND LIABILITIES

As the Scheme does not involve the sale and purchase of Hong Kong stock, no Hong Kong stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

Similarly, as the Rule 13 Offer and the payment of the Option Amount for the cancellation of the Options does not involve the sale and purchase of Hong Kong stock, no Hong Kong stamp duty will be payable pursuant to the Stamp Duty Ordinance under the Rule 13 Offer or the payment of the Option Amount.

It is emphasised that none of the Company, the Investment Funds, Offeror Group Companies, J.P. Morgan, UBS, Somerley or any of their respective directors or associates or any other person involved in the Scheme, the Proposal and/or the Rule 13 Offer accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal. Accordingly, you are asked to read the section headed “24. Taxation” in the Explanatory Memorandum appearing on page 94 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult an appropriately qualified professional advisor.

### 18. FURTHER INFORMATION

You are urged to read carefully (a) the Letter from the Independent Board Committee as set out on pages 36 to 37 of this Scheme Document; (b) the Letter from Somerley, the Independent Financial Advisor to the Independent Board Committee, as set out on pages 38 to 63 of this Scheme Document; (c) the Explanatory Memorandum as set out on pages 64 to 102 of this Scheme Document; (d) the Appendices to this Scheme Document, including Estimates of Value of Holdco Shares as set out in Appendix V to this Scheme Document and the Scheme of Arrangement as set out in Appendix VI to this Scheme Document; (e) the notice of the Court Meeting as set out in Appendix VII to this Scheme Document; and (f) the notice of the EGM as set out in Appendix VIII to this Scheme Document, the **pink** proxy form in respect of the Court Meeting as enclosed with this Scheme Document, the **white** proxy form in respect of the EGM as enclosed with this Scheme Document and the Election Form as enclosed with this Scheme Document. Optionholders are urged to read carefully the Rule 13 Offer Letter which is sent separately to Optionholders on the date of this Scheme Document and is substantially in the form set out in “Appendix IX—Form of Rule 13 Offer Letter” to this Scheme Document.

Yours faithfully,  
For and on behalf of the Board of  
**Nirvana Asia Ltd**  
Dato’ Fu Ah Kiow @ Oh (Fu) Soon Guan  
Chairman



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1438)**

5 September 2016

*To the Disinterested Scheme Shareholders and the Optionholders*

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF NIRVANA ASIA LTD  
BY ASIA MEMORIAL GROUP LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS)  
AND THE PROPOSED CASH OFFER TO CANCEL ALL OUTSTANDING OPTIONS**

We refer to the document dated 5 September 2016 jointly issued by Holdco and the Company in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

On 8 July 2016, the Company and Holdco jointly announced that Holdco, Equityco and the Company entered into the Implementation Agreement, pursuant to which the parties agreed that Holdco will pursue the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares and allotment and issue of New Shares to Bidco. If the Proposal is approved and implemented, it would result in the Company becoming indirectly wholly-owned by Holdco and the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules. The Company and Holdco also announced that Holdco would make a cash offer to Optionholders to cancel their Options pursuant to Rule 13 of the Takeovers Code. The Rule 13 Offer is conditional upon the Scheme becoming effective.

Holdco and the Company further announced that upon the Scheme becoming effective, Holdco intends to adopt the MIP for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. The MIP Participants would be given the opportunity to acquire Holdco Ordinary Shares and Holdco Preference Shares by paying the MIP Consideration. The MIP constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive under Note 3 to Rule 25 of the Takeovers Code.

Details of the Proposal, the Rule 13 Offer and the MIP are set out in the Letter from the Board on pages 12 to 35 and the Explanatory Memorandum on pages 64 to 102 of the Scheme Document.

For the purpose of the Proposal, the Rule 13 Offer and the MIP, we have been appointed by the Board as the Independent Board Committee to give a recommendation to the Disinterested Scheme Shareholders in respect of the Proposal and the MIP and the Optionholders in respect of the Rule 13 Offer. Somerley has been appointed with our approval as our Independent Financial Advisor in respect

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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of the Proposal, the Rule 13 Offer and the MIP. Details of the advice from Somerley and the principal factors Somerley has taken into consideration in arriving at its recommendation are set out in the Letter from Somerley on pages 38 to 63 of the Scheme Document.

We also wish to draw the attention of the Disinterested Scheme Shareholders and the Optionholders to the additional information set out in the Appendices to the Scheme Document.

### RECOMMENDATIONS

Having considered the terms of the Proposal, the Rule 13 Offer and the MIP and taken into account the advice from Somerley, in particular the factors, reasons and recommendations as set out in the Letter from Somerley, we consider that the terms of the Proposal and the MIP, and the Rule 13 Offer are fair and reasonable so far as the Disinterested Scheme Shareholders and the Optionholders, respectively, are concerned. Accordingly, we recommend that:

- (a) at the Court Meeting, the Disinterested Scheme Shareholders vote in favour of the resolution to approve the Scheme;
- (b) at the EGM:
  - (i) the Shareholders vote in favour of:
    - (1) the special resolution to approve the Reduction by the cancellation of the Scheme Shares;
    - (2) the ordinary resolution to approve the immediate restoration in the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and to apply the credit arising in its books of account as a result of the Reduction to pay up in full at par and issue to Bidco the New Shares; and
    - (3) the ordinary resolution to approve the termination of each of the ESR Scheme and the SASR Scheme on the Effective Date;
  - (ii) the Disinterested Scheme Shareholders vote in favour of:
    - (1) the ordinary resolution to approve the MIP; and
- (c) the Disinterested Scheme Shareholders accept the Cash Alternative and not to elect the Holdco Shares Alternative.

Yours faithfully

**Dato' FU Ah Kiow @ Oh**  
**(Fu) Soon Guan**

*Non-executive Director  
of the Company*

**ANG Teck Shang**

*Non-executive Director  
of the Company*

**TSE Po Shing Andy**

*Non-executive Director  
of the Company*

**Tan Sri CHAN**  
**Kong Choy**

*Independent non-  
executive Director  
of the Company*

**NG Soon Lai @ Ng**  
**Siek Chuan**

*Independent non-  
executive Director  
of the Company*

**FOONG Soo Hah**

*Independent non-  
executive Director  
of the Company*

**Anita CHEW**  
**Cheng Im**

*Independent non-  
executive Director  
of the Company*

*Independent Board Committee*

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## LETTER FROM SOMERLEY

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*Set out below is the letter of advice from Somerley Capital Limited, the Independent Financial Advisor to the Independent Board Committee, which has been prepared for the purpose of inclusion in this Scheme Document.*



**SOMERLEY CAPITAL LIMITED**

20<sup>th</sup> Floor  
China Building  
29 Queen's Road Central  
Hong Kong

5 September 2016

*To: the Independent Board Committee*

Dear Sirs,

**PROPOSED PRIVATISATION OF  
NIRVANA ASIA LTD  
BY ASIA MEMORIAL GROUP LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS)  
AND THE PROPOSED CASH OFFER TO CANCEL ALL OUTSTANDING OPTIONS**

### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with (i) the proposed privatisation of the Company by Holdco by way of a scheme of arrangement under Section 86 of the Companies Law; (ii) the Rule 13 Offer; and (iii) the MIP. Details of the Proposal, the Scheme, the Rule 13 Offer and the MIP are set out in the Scheme Document dated 5 September 2016, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 8 July 2016, the Company and Holdco jointly announced that Holdco, Equityco and the Company entered into the Implementation Agreement on 8 July 2016, pursuant to which the parties agreed that Holdco will pursue the proposed privatisation of the Company by way of the Scheme. If the Proposal is implemented, it will result in (a) the Company becoming a direct wholly-owned subsidiary of Bidco and an indirect wholly-owned subsidiary of Holdco; and (b) the withdrawal of listing of the Shares on the Stock Exchange. Further details of the Implementation Agreement are set out in the section headed "Implementation Agreement" in the "Letter from the Board" and the "Explanatory Memorandum" of the Scheme Document.

Upon the Scheme becoming effective, Holdco intends to adopt a management incentive plan (the "MIP"). As the MIP is available only to the MIP Participants (all of whom are Shareholders as at the Latest Practicable Date) and is not offered to all Scheme Shareholders, the MIP constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive. Holdco has made an application to the Executive for its consent to the MIP, such consent being conditional on (a) the Independent Financial Advisor publicly stating in its opinion that the terms of the MIP are fair and reasonable; and (b) approval by independent Shareholders who are not interested in or involved in the MIP (i.e. excluding the Shareholder MIP Participants and Shareholders who are not Disinterested Scheme Shareholders) by way of poll at the EGM.

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## LETTER FROM SOMERLEY

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The Independent Board Committee comprising all non-executive Directors (except Mr. Gabriel Li) and independent non-executive Directors who are not interested in the Proposal, namely Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan, Mr. Ang Teck Shang, Mr. Tse Po Shing Andy, Tan Sri Chan Kong Choy, Mr. Ng Soon Lai @ Ng Siek Chuan, Mr. Foong Soo Hah and Ms. Anita Chew Cheng Im, has been established to advise (i) whether the terms of the Proposal and the MIP are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned, and whether the terms of the Rule 13 Offer are fair and reasonable so far as the Optionholders are concerned; (ii) the voting action that should be taken by the Disinterested Scheme Shareholders at the Court Meeting and the EGM; and (iii) the recommendation to Disinterested Scheme Shareholders as to acceptance of the Cash Alternative and the Holdco Shares Alternative. The Independent Board Committee has approved our appointment as the Independent Financial Advisor to advise the Independent Board Committee in this regard.

We are not associated with the Company, Holdco or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Proposal, the Rule 13 Offer and the MIP. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Holdco, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, (i) the Scheme Document; (ii) the interim results announcement of the Company for the six months ended 30 June 2016; (iii) the annual reports of the Company for the year ended 31 December 2015; (iv) the announcements published by the Company on the website of the Stock Exchange since listing of the Shares on the Stock Exchange; (v) the material change statement set out in Appendix I to the Scheme Document; and (vi) the letter from J.P. Morgan regarding the estimates of value of Holdco Shares as set out in Appendix V to the Scheme Document. We have also conducted a site visit to the Group's original and largest cemetery in Semenyih, Malaysia on 5 August 2016.

We have relied on the information and facts supplied by the Company, and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Scheme Document were true at the time they were made and at the Latest Practicable Date and will continue to be true up to the time of the Court Meeting and the EGM, and that the Shareholders and Optionholders will be informed as soon as reasonably possible if we become aware of any material change to such representations. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror Group or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied.

### PRINCIPAL TERMS OF THE PROPOSAL AND THE RULE 13 OFFER

The terms set out below are summarised from the "Letter from the Board" and "Explanatory Memorandum" of the Scheme Document. Disinterested Scheme Shareholders (being the Scheme

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## LETTER FROM SOMERLEY

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Shareholders other than Holdco Group, Holdco Concert Parties including Bidco and members of the Founder's Group, and Shareholder MIP Participants) are interested in approximately 1,546.8 million Shares (representing approximately 57.3% of the issued share capital of the Company as at the Latest Practicable Date). Disinterested Scheme Shareholders and Optionholders are encouraged to read the Scheme Document and appendices in full. Apart from the Cash Alternative, the Proposal also provides the Shareholders with an opportunity to continue to invest in the Company's integrated funeral and bereavement care platform through the election of the Holdco Shares Alternative.

Disinterested Scheme Shareholders should note that the provision of the Holdco Shares Alternative is an unusual feature in a Hong Kong privatisation proposal and the terms are somewhat complex. Holdco Shares will not be listed on any stock exchange and do not benefit from the protections afforded by the Listing Rules (for example, protections against dilution and related party transactions) and the Takeovers Code (if Holdco will not be determined by the Executive to be a "public company" in Hong Kong as defined in the Takeovers Code), and are illiquid with no ready market. Holdco Shares are subject to the rights and restrictions set out in the Holdco Articles, including a five-year lock-up (save for limited exceptions set out in the Holdco Articles). Further information on the Holdco Shares is set out in the Scheme Document and in the sub-section headed "Information on the Holdco Shares" of this letter below, and the risks associated with holding the Holdco Shares are summarised in the sub-section headed "Risks which Disinterested Scheme Shareholders should bear in mind in evaluating the Holdco Shares Alternative" of this letter below. **We do not recommend the general body of Disinterested Scheme Shareholders to accept the Holdco Shares Alternative, which we consider has been tailored principally for a large sophisticated investor.**

### *The Proposal and the Rule 13 Offer*

- (i) The Scheme Shares will be cancelled in exchange for, in respect of every Scheme Share, either:
  - (a) **Cash Alternative:** Cash of HK\$3.00; or
  - (b) **Holdco Shares Alternative:** 2.100076 Holdco Preference Share(s) and 0.031501 Holdco Ordinary Share(s), plus cash of HK\$1.37

Scheme Shareholders (other than the Committed Cash Alternative Shareholder which has undertaken to elect the Cash Alternative only and the Committed Holdco Shares Alternative Shareholders which have undertaken to elect the Holdco Shares Alternative only) are entitled to either the Cash Alternative or Holdco Shares Alternative as the form of Cancellation Consideration in respect of their entire holdings of the Scheme Shares (but not a combination of the two). HKSCC Nominees Limited may make different elections in respect of the Scheme Shares held on behalf of the Beneficial Owners. Scheme Shareholders will receive the cash consideration under the Cash Alternative if they do not make an election, or fail to make a valid election, for the Holdco Shares Alternative in accordance with the Scheme Document if the Scheme becomes effective.

**The Cancellation Consideration will not be increased, and Holdco does not reserve the right to do so.**

- (ii) A cash offer will be made by Holdco to cancel the Options under the Rule 13 Offer, conditional upon the Scheme becoming effective. The offer to cancel each Option is calculated on a "see-through" basis, so that each Optionholder will be entitled to receive a price for his/her Options being the amount by which the Cash Alternative exceeds the exercise price for his/her Options.

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## LETTER FROM SOMERLEY

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- (iii) Upon the Scheme becoming effective, (a) all the Scheme Shares will be cancelled and extinguished (with the New Shares being issued to Bidco) and the share certificates for the Scheme Shares will thereafter cease to have effect as document or evidence of title; (b) all Options will be cancelled pursuant to the Rule 13 Offer; and (c) Holdco will make available for allotment and issuance such number of Holdco Shares as will be required under the Holdco Shares Alternative.
- (iv) If the Proposal is implemented, it will result in the Company becoming a direct wholly-owned subsidiary of Bidco and an indirect wholly-owned subsidiary of Holdco. The Company will apply to the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange in accordance with the Listing Rules.

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or lapses.

### *Conditions of the Proposal*

The Scheme will become binding on the Company, Holdco, Bidco and all the Scheme Shareholders subject to fulfilment or waiver, as applicable, of the Conditions on or before 4 January 2017, failing which the Proposal and the Scheme will lapse. Details of the Conditions are set out in the section headed “Conditions of the Proposal” in the “Explanatory Memorandum” of the Scheme Document. One of the main conditions is approval of the Scheme by the Disinterested Shareholders at the Court Meeting.

As at the Latest Practicable Date, none of the Conditions has been fulfilled or waived.

### *The Irrevocable Undertakings*

Holdco has received Irrevocable Undertakings from the Committed Shareholders (namely Rightitan, Orchid and AIF), pursuant to which each of the Committed Shareholders has undertaken to, amongst other things, vote (or procure votes) to approve the Scheme at the Court Meeting and the Reduction and the Restoration at the EGM respectively in respect of the Committed Shares (which in aggregate represent approximately 74.99% of the issued share capital of the Company as at the Latest Practicable Date). Votes of Shareholders who are not Disinterested Scheme Shareholders (including that of Rightitan and Shareholder MIP Participants) will (a) not be counted for the purpose of satisfying the additional requirements under Rule 2.10 of the Takeovers Code; and (b) not to be taken into account in respect of the ordinary resolution at the EGM to approve the MIP.

Pursuant to the Irrevocable Undertakings, (a) AIF has committed to elect the Cash Alternative as the form of Cancellation Consideration; and (b) each of Rightitan and Orchid has committed to elect the Holdco Shares Alternative as the form of Cancellation Consideration. As at the Latest Practicable Date, save as disclosed in the Scheme Document, Holdco Board has confirmed that no other persons have irrevocably committed themselves to vote to approve or reject the Scheme at the Court Meeting or the resolutions to be proposed at the EGM.



## LETTER FROM SOMERLEY

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations with regard to the Proposal, the Rule 13 Offer and the MIP, we have taken into account the following principal factors and reasons:

#### 1. Information and prospects of the Group

##### (a) Background and information of the Company

The Company is incorporated in the Cayman Islands with limited liability and its Shares have been listed on the Main Board of the Stock Exchange since 17 December 2014. The principal activities of the Group are the sale of niches and burial plots, the provision of tomb design and construction services, the provision of cemetery and columbarium facilities maintenance services, embalming and holding funeral and cremation services in Malaysia, Singapore, Indonesia, Thailand and China. The Shares started trading at a sharp discount to the initial public offering price of HK\$3.00 per Share, with a closing Share price of HK\$2.10 per Share on the first trading day, and up to the Latest Practicable Date have never regained the initial public offering price.

##### (b) Financial information of the Group

Details of the accounts of the Group, together with the accounting policies on which they are based, are set out in Appendix I to the Scheme Document. Shareholders' attention is drawn to these accounts, particularly Note 3 to the audited consolidated financial statements of the Group for the year ended 31 December 2015 as regards the accounting policies for foreign currencies, which is relevant for the calculation of the adjusted earnings per Share set out below and discussed in the paragraph headed "Price to earnings and dividend yield" in the sub-section headed "Analysis of price performance and trading liquidity of the Shares" in this letter.

##### (i) Financial performance

The following is an extract of the financial results of the Group for (a) the two years ended 31 December 2014 and 2015 (both of 2014 and 2015 annual results having been extracted from the Company's 2015 annual report); and (b) the six months ended 30 June 2015 and 2016 (both of 2015 and 2016 interim results having been extracted from the Company's 2016 interim results announcement).

	For the six months ended 30 June		For the year ended 31 December	
	2016 US\$'000 (Unaudited)	2015 US\$'000 (Unaudited)	2015 US\$'000 (Audited)	2014 US\$'000 (Audited)
Revenue .....	67,185	78,105	148,576	165,064
Gross profit .....	49,342	56,522	112,436	116,425
Other gains and losses .....	(9,946)	16,211	40,904	1,149
Profit for the period/year .....	8,715	37,838	87,352	37,832
Profit for the period/year attributable to owners of the Company .....	8,306	37,367	86,837	35,764
Basic earnings per ordinary share attributable to owners of the Company (US cents) .....	0.31	1.38	3.22	1.74
Adjusted profit for the period/year attributable to owners of the Company (US\$ million) .....	17.9	19.9	45.4	44.7
Adjusted earnings per ordinary share attributable to owners of the Company (US cents) (Note 1) .....	0.66	0.74	1.68	2.18
Dividends per ordinary share for the period/year (HK\$) (Note 2) .....	—	0.03	0.08	0.05



## LETTER FROM SOMERLEY

### Notes:

- Figures for the six months ended 30 June 2015 and 2016 are based on (a) the adjusted profit for the periods attributable to owners of the Company; and (b) the weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2015 and 2016 extracted from the Company's 2016 interim results announcement.
- Excluding dividends declared before the listing of the Company on the Main Board of the Stock Exchange.

### (1) Revenue

The revenue of the Group was generated from two business segments, namely (a) burial services and others, including primarily burial plots, niches and tomb design and construction services; and (b) funeral services, including primarily funeral services packages and optional funeral services. For the two years ended 31 December 2014 and 2015, and the six months ended 30 June 2016, total revenue in US\$ amounted to approximately US\$165.1 million, US\$148.6 million and US\$67.2 million respectively. Due to the fluctuations in the exchange rates of the Group's functional currencies (including Malaysian dollars (RM), SGD and Indonesian Rupiah) against the Group's reporting currency (US\$) and that RM is the major functional currency of the Group, the Group's financial results stated in US\$ may not appropriately reflect the Group's financial performance. The following tables set forth the breakdown of revenue by business segment and geographical location respectively in RM extracted from the management discussion and analysis section of the Company's 2015 annual report and the Company's 2016 interim results announcement. The figures are set out in RM because over 75% of the Group's revenue in 2015 and first half of 2016 are generated in Malaysia and present a fairer period-on-period comparison than using US\$.

<b>Revenue by business segments</b>	<b>For the six months ended 30 June</b>		<b>For the year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Burial services and others .....	248,716	258,689	527,979	496,565
Funeral services .....	26,649	25,840	52,417	43,739
Total revenue .....	<u>275,365</u>	<u>284,529</u>	<u>580,396</u>	<u>540,304</u>

<b>Revenue by geographical locations</b>	<b>For the six months ended 30 June</b>		<b>For the year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia .....	209,178	253,244	485,463	460,132
Singapore .....	46,294	19,154	70,146	59,413
Indonesia .....	16,009	12,131	23,567	20,759
Thailand .....	562	—	—	—
China – Hong Kong .....	3,322	—	1,220	—
Total revenue .....	<u>275,365</u>	<u>284,529</u>	<u>580,396</u>	<u>540,304</u>

As set out in the tables above, revenue for the year ended 31 December 2015 in RM grew across all business segments and geographical regions comparing to 2014. Income generated from burial services and others accounted for approximately 91.9% and 91.0% of the total revenue for the years ended 31 December 2014 and 2015 respectively. The increase in revenue for the year ended 31 December 2015 from burial services and others in RM by approximately 6.3% year on year was mainly due to higher sales in tomb design and construction and burial plots in 2015 comparing to those in 2014. In terms of geographical location, revenue from Malaysia in RM accounted for approximately 85.2% and 83.6% of the total revenue for the years ended 31 December 2014 and 2015 respectively, and increased by approximately 5.5% from the year ended 31 December 2014 to 31 December 2015.

## LETTER FROM SOMERLEY

For the six months ended 30 June 2016, revenue in RM decreased by approximately 3.2% compared to the revenue for the six months ended 30 June 2015. The decrease was mainly driven by lower fees for construction services from Penang Island columbarium in Malaysia for the six months ended 30 June 2016. Income from burial services and others segment remained the major contributor of the Group's revenue for the six months ended 30 June 2016, representing approximately 90.3% of the Group's revenue, and revenue generated in Malaysia accounted for approximately 76.0% of the Group's revenue for this period.

### (2) Profit attributable to owners of the Company

The Group recorded profit attributable to owners of the Company of approximately US\$86.8 million for the year ended 31 December 2015, representing an increase of approximately 142.8% over 2014. The significant increase was mainly attributable to (a) the increase in net foreign exchange gains of approximately US\$41.1 million principally arising from the translation of cash and cash equivalents denominated mainly in US\$ and HK\$ (primarily the net proceeds of the listing received at the end of 2014 in HK\$) into RM, the Group's major functional currency, at the rates prevailing at the end of the reporting period in preparing the financial statements and please refer to Appendix I to the Scheme Document for details of the relevant accounting policies; and (b) no listing related expenditure being incurred in 2015 while approximately US\$5.6 million was incurred in respect of listing expenses and share-based payment expenses amounted to approximately US\$3.3 million was incurred for the year of 2014. After adjusting for the non-recurring items (including the net foreign exchange gains, the listing related expenditure and the share-based payment expenses as described above), the adjusted profit attributable to owners of the Company for the years ended 31 December 2014 and 2015 amounted to approximately US\$44.7 million (after adjusting listing related expenses of approximately US\$5.6 million and share-based payment expenses of approximately US\$3.3 million) and US\$45.4 million (after adjusting net foreign exchange gains of approximately US\$41.5 million) respectively. Adjusted earnings per ordinary share for the years ended 31 December 2014 and 2015 were approximately US2.18 cents and US1.68 cents respectively. For the six months ended 30 June 2016, the Group had an adjusted profit attributable to owners of the Company amounting to approximately US\$17.9 million (after adjusting the net foreign exchange loss of approximately US\$9.6 million), compared to an adjusted profit of approximately US\$19.9 million for the same period of 2015.

### (ii) Financial position

Set out below is an extract of the financial position of the Group (a) as at 31 December 2014 and 2015 (both the 2014 and 2015 financial position having been extracted from the Company's 2015 annual report); and (b) as at 30 June 2016 (as extracted from the Company's 2016 interim results announcement).

	As at 30 June	As at 31 December	
	2016	2015	2014
	US\$'000 (Unaudited)	US\$'000 (Audited)	US\$'000 (Audited)
Total assets .....	627,887	595,441	610,108
Total liabilities .....	296,685	274,853	286,843
Equity attributable to owners of the Company .....	325,309	315,668	318,735
Net assets per ordinary share (HK\$ equivalent) ( <i>Note</i> ) .....	0.95	0.92	1.22

*Note:*

Closing exchange rates as at the period/year end adopted to translate net assets per ordinary share from US\$ to HK\$ equivalent are sourced from the website of Central Bank of Malaysia.

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## LETTER FROM SOMERLEY

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As at 30 June 2016, the Group's total assets were approximately US\$627.9 million. Assets of the Group mainly include (a) bank balances and cash and cash equivalents; (b) inventories; (c) trade and other receivables; and (d) land and development expenditure. As at 30 June 2016, the Group recorded total liabilities amounted to approximately US\$296.7 million, which mainly consisted of (a) trade and other payables; (b) deferred pre-need funeral contract revenue; (c) borrowings; and (d) deferred maintenance income.

As at 30 June 2016, the Group had borrowings of approximately US\$47.4 million. Taking into account the bank balances and cash and cash equivalents amounting to approximately US\$186.7 million, the Group had no net gearing as at 30 June 2016. As at 30 June 2016, equity attributable to owners of the Company amounted to approximately US\$325.3 million.

(c) *Net assets value*

Net assets value attributable to owners of the Company amounted to approximately US\$325.3 million as at 30 June 2016, with a value per ordinary share of approximately HK\$0.95. This is equivalent to just under one third of the Cash Alternative of HK\$3.00 per Scheme Share. Valuations of the Group's property interests in Malaysia, Singapore, Indonesia, Vietnam and Thailand as at 30 June 2016 have been conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited and a summary of the valuations is set out in Appendix II to the Scheme Document. As advised by the executive Directors, the net book value of the Group's properties interests (recorded in property, plant and equipment, inventories, land and development expenditure and prepaid lease payments on the Group's accounts) amounted to approximately US\$232.4 million as at 30 June 2016. As set out in Appendix II to the Scheme Document, valuation of properties owned by the Group amounted to approximately US\$219.3 million as at 30 June 2016 (the valuation date). The difference between the book value and the valuation of the Group's property interests is about US\$13.1 million and is immaterial in the context of the Proposal. Accordingly, we have not made any adjustment to the net assets value of HK\$0.95 per Share.

(d) *Prospects of the Group*

As set out in the Company's 2015 annual report, although South East Asian economic climate has been comparatively challenging in 2015, the Group made important progress locally and overseas in 2015, including, among other things, (i) recording contract sales of more than RM60.0 million over nine months since April 2015 from a new project in Kuala Lumpur; (ii) acquisition of two parcels of land of approximately 100 hectares near the city of Klang in Malaysia; and (iii) increase in built-up capacity of a project in Singapore, that will position the Group for stronger growth in years ahead. Although the Group has presence in most of the major countries in South East Asia, there is still much room to grow in these markets. The Group is actively developing its business operations in Malaysia, Thailand, Singapore, Vietnam, China and Hong Kong. Further details regarding recent developments of the Group's business operations in these South East Asian countries are set out in the Company's 2016 interim results announcement.

## 2. **Holdco's intention regarding the Company**

As set out in the section headed "Holdco's intention regarding the Company" in the "Explanatory Memorandum" of the Scheme Document, following implementation of the Proposal,

## LETTER FROM SOMERLEY

Holdco intends that the Group will continue its current business of integrated funeral and bereavement care services. The Offeror Group Companies believe that the Group has good market potential in the funeral and bereavement care services industry over the long term and that the Offeror Group Companies, together with the Founder, will bring their collective knowledge and experience of the industry to facilitate the implementation of effective long term strategies to create value for the business of the Group under private ownership. Holdco has no plans, in the event the Scheme becomes effective, to (i) make any major changes to the business of the Company including the redeployment of the assets of the Group; or (ii) discontinue the employment of the employees of the Group. Holdco intends to hold its shares in the Company following the Effective Date for at least three years.

### 3. Information on the Offeror Group

As set out in the “Explanatory Memorandum” of the Scheme Document, Holdco and Equityco are exempted companies each incorporated in the Cayman Islands with limited liability on 17 June 2016. Bidco is a company incorporated in Malaysia on 24 June 2016. The principal business of each of the Offeror Group Companies is investment holding and, to date, none of the Offeror Group Companies has conducted any business other than in relation to the transactions described in the Announcement and Scheme Document. Bidco is an indirect wholly-owned subsidiary of Holdco, which in turn is a direct wholly-owned subsidiary of Equityco. Each of the Offeror Group Companies is ultimately owned by the Investment Funds of which CVC is an investment sub-advisor.

CVC is a private equity and investment advisory firm founded in 1981 with offices throughout Europe, Asia and the United States. CVC currently manages over US\$33 billion assets and funds managed or advised by CVC are invested in 51 companies worldwide. The Investment Funds are widely held among a large number of investors, including pension funds, financial institutions and various other partners.

Set out below is the shareholding structure of Holdco immediately following implementation of the Proposal based on the number of Scheme Shares as at the Latest Practicable Date, assuming all Optionholders receive the Option Amount in respect of all their Options and (a) all the Scheme Shareholders (other than the Committed Holdco Shares Alternative Shareholders) elect the Cash Alternative; or (b) all the Scheme Shareholders (other than the Committed Cash Alternative Shareholder) elect the Holdco Shares Alternative. Further details regarding the shareholding structure of Holdco and accompanying notes are set out in the section headed “Shareholding structure of Bidco and Holdco” in the “Explanatory Memorandum” of the Scheme Document.

	Immediately following implementation of the Proposal assuming all the Scheme Shareholders (other than the Committed Holdco Shares Alternative Shareholders) elect the Cash Alternative			Immediately following implementation of the Proposal assuming all the Scheme Shareholders (other than the Committed Cash Alternative Shareholder) elect the Holdco Shares Alternative		
	Number of Holdco Ordinary Shares	Number of Holdco Preference Shares	Approximate % of the total issued share capital	Number of Holdco Ordinary Shares	Number of Holdco Preference Shares	Approximate % of the total issued share capital
Equityco .....	45,303,863	2,736,573,408	42.9	45,303,863	2,736,573,408	35.1
Founder’s Group (Righttitan and the Founder) .....	36,300,101	2,420,017,461	37.9	36,300,101	2,420,017,461	31.0
Orchid .....	18,398,834	1,226,594,403	19.2	18,398,834	1,226,594,403	15.7
Other Scheme Shareholders .....	0	0	0.00	21,269,659	1,417,983,559	18.2
Total .....	<u>100,002,798</u>	<u>6,383,185,272</u>	<u>100.00</u>	<u>121,272,457</u>	<u>7,801,168,831</u>	<u>100.00</u>

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## LETTER FROM SOMERLEY

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The actual number of Holdco Shares to be made available for allotment and issuance under the Holdco Shares Alternative will be determined as at 11 October 2016, being two clear Business Days after the latest date to submit the Election Form to elect the Holdco Shares Alternative. As at the Latest Practicable Date, there were 2,699,301,830 Scheme Shares. On this basis and as set out in the table above, assuming all the Scheme Shareholders elect the Cash Alternative and only the Committed Holdco Shares Alternative Shareholders (namely Rightitan and Orchid which together, hold 1,736,418,998 Scheme Shares) elect the Holdco Shares Alternative, immediately following implementation of the Proposal, 54,698,935 Holdco Ordinary Shares and 3,646,611,864 Holdco Preference Shares will be issued to the Founder's Group and Orchid in aggregate. If, assuming all Scheme Shareholders elect the Holdco Shares Alternative (except the Committed Cash Alternative Shareholder, AIF, which holds 287,677,002 Scheme Shares and is committed to elect the Cash Alternative), immediately following implementation of the Proposal, 75,968,594 Holdco Ordinary Shares and 5,064,595,423 Holdco Preference Shares will be issued to the Founder's Group, Orchid and other Scheme Shareholders in aggregate.

#### **4. Information on the Holdco Shares**

##### *(i) Restrictions and rights of the Holdco Shares*

Upon the Effective Date, Holdco will have two classes of shares in issue, namely the Holdco Ordinary Shares and the Holdco Preference Shares. Holdco Shares are not intended to be listed on any stock exchange and will not benefit from the protections afforded by the Listing Rules and the Takeovers Code (if Holdco will not be determined by the Executive to be a "public company" in Hong Kong as defined in the Takeovers Code), and are illiquid with no ready market. Holdco Shares are subject to certain transfer restrictions set out in the Holdco Articles and are subject to a five-year lock-up (save for limited exceptions set out in the Holdco Articles). Further details relating to the Holdco Shares are set out in the "Letter from the Board", "Explanatory Memorandum" and relevant appendices to the Scheme Document. If Disinterested Scheme Shareholders wish to consider the Holdco Shares Alternative, they are recommended to read this information carefully, particularly the paragraph headed "Risks relating to the holding of Holdco Shares" as set out in the "Letter from the Board" of the Scheme Document. Risks which Disinterested Scheme Shareholders should bear in mind in evaluating the Holdco Shares Alternative are set out below.

##### *(ii) Valuation of the Holdco Shares*

On the basis of, and subject to, the assumptions and methodology set out in the letter issued by J.P. Morgan contained in Appendix V to the Scheme Document headed "Estimates of Value of Holdco Shares", an estimate of the value of the Holdco Ordinary Shares and Holdco Preference Shares would be (i) a range of between HK\$0.0542 and HK\$0.0775 for each Holdco Ordinary Share; and (ii) a range of between HK\$0.5425 and HK\$0.7750 for each Holdco Preference Share based on the issue price of HK\$0.7750 for each Holdco Preference Share.

## LETTER FROM SOMERLEY

The table below sets out the implied consideration for every Scheme Share (a range of HK\$2.51 to HK\$3.00) we calculated based on (i) the Holdco Shares Alternative, whereby each Scheme Shareholder is entitled to receive 0.031501 Holdco Ordinary Share(s), 2.100076 Holdco Preference Share(s) and cash of HK\$1.37 for every Scheme Share; and (ii) J.P. Morgan's estimation of the values of the Holdco Shares contained in Appendix V to the Scheme Document:

Cancellation consideration under the Holdco Shares Alternative for every Scheme Share	Estimated value	
	Bottom range	Top range
Value per Holdco Preference Share estimated by J.P. Morgan .....	HK\$0.5425	HK\$0.7750
<b>(1) Value for 2.100076 Holdco Preference Shares .....</b>	<b>HK\$1.1393</b>	<b>HK\$1.6276</b>
Value per Holdco Ordinary Share estimated by J.P. Morgan .....	HK\$0.0542	HK\$0.0775
<b>(2) Value for 0.031501 Holdco Ordinary Shares ...</b>	<b>HK\$0.0017</b>	<b>HK\$0.0024</b>
<b>(3) Cash .....</b>	<b>HK\$1.37</b>	<b>HK\$1.37</b>
<b>Implied consideration of each Scheme Share (which is equivalent to the aggregate of (1), (2) and (3) as listed above) .....</b>	<b>HK\$2.51</b>	<b>HK\$3.00</b>

The main difference between the bottom range and the top range is the assumption on discount for lack of marketability. For the bottom range, a 30% discount on the estimated value of the Holdco Shares is assumed, while for the top range it is nil. We consider it is reasonable to apply some discount to the value of an illiquid share. This point is discussed further below.

We have reviewed and discussed with J.P. Morgan the methodology used, and the bases and assumptions adopted, for the estimates of value of Holdco Shares as set out in Appendix V to the Scheme Document. J.P. Morgan has separately considered the estimated value of the Holdco Ordinary Shares and Holdco Preference Shares given the different economic rights of each class of share. For the purpose of the estimates of value of the Holdco Preference Shares, as there is no guaranteed dividend payment, it is not practicable to derive a valuation of the Holdco Preference Shares based on dividend income. Therefore, the value of the Holdco Preference Shares is estimated at the issue price, i.e. HK\$0.7750. It is assumed by J.P. Morgan that Holdco Group was established for the sole purpose of the Proposal and as such, at the time of the Proposal is assumed to have become effective, Holdco Group's turnover, profits, assets and liabilities on a consolidated basis will be the same as the Company, save for the external debt financing incurred by Holdco Group for the implementation of the Proposal, any costs and expenses incurred in connection with the Proposal and any cash balance that may remain in Holdco Group that was not required to finance the amount payable in cash to Scheme Shareholders under the Proposal. On this basis and based on the assumptions as set out in J.P. Morgan's letter, the estimate of the value of the Holdco Ordinary Shares is based on (a) the total estimated value of the Shares (including the Options, assuming a "see-through" value) which Holdco will own indirectly; (b) less the external debt financing to be incurred by Holdco Group for the implementation of the Proposal; (c) plus any excess cash that may remain in Holdco Group following



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## LETTER FROM SOMERLEY

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the implementation of the Proposal, prior to any transaction expenses incurred by Holdco; and (d) less the value of all of the Holdco Preference Shares. The estimated value of all of the outstanding Shares has been based on the value per Share under the Cash Alternative of HK\$3.00 and a value of HK\$1.475 which is equivalent to the “see-through” value per Option under the offer to the Optionholders. J.P. Morgan has assumed a range of discounts of 0-30% to an equivalent listed security to reflect the lack of marketability. While no methodological analysis can be undertaken for the purposes of estimating such a discount, J.P. Morgan believes that, based on their experience, the assumed marketability discount range of 0-30% is an appropriate assumption to use for this purpose. Based on the above, the estimates of the values of the Holdco Ordinary Shares and Holdco Preference Shares would be (i) a range of between HK\$0.0542 and HK\$0.0775 for each Holdco Ordinary Share; and (ii) a range of between HK\$0.5425 and HK\$0.7750 for each Holdco Preference Share.

The estimate of the value of a Holdco Preference Share or a Holdco Ordinary Share will remain unchanged regardless of the acceptance level of the Holdco Shares Alternative. The methodology set out in J.P. Morgan’s letter in Appendix V to the Scheme Document is, in our opinion, a reasonable approach in establishing the estimates of the values of the Holdco Shares. As unlisted shares, it is conventional to allow a discount on the estimates of value of the Holdco Shares to reflect their lack of marketability. We are of the view that it is not practicable to estimate such discount very precisely, as it depends on differing circumstances. However, we consider the discounts in a range of 0% and 30% adopted by J.P. Morgan in its estimates to be acceptable.

For further details of the methodology, basis, assumptions and computations of the estimates of the value of the Holdco Shares, please refer to Appendix V to the Scheme Document which should be read in its entirety.

### **5. Risks which Disinterested Scheme Shareholders should bear in mind in evaluating the Holdco Shares Alternative**

Scheme Shareholders should bear in mind the risk factors of holding the Holdco Shares as set out in the “Letter from the Board” in the Scheme Document, in particular the following:

- (i) **Holdco Shares are illiquid as the Holdco Shares are not listed;**
- (ii) **Holdco will be an unlisted company and does not benefit from the protections offered by the Listing Rules and the Takeovers Code** (if the Holdco will not be determined by the Executive to be a “public company” in Hong Kong as defined in the Takeovers Code) (for example, the requirement of appointing independent non-executive directors, approval by independent shareholders for certain connected transactions, anti-dilution provisions and other protections and rights offered to minority shareholders);
- (iii) **Transfers of the Holdco Shares are subject to restrictions stipulated in the Holdco Articles.** Save for limited exceptions, no Holdco Shares may be transferred, assigned or disposed of by any Holdco Shareholder from the Completion Date until the earlier of (a) the date on which the Investment Funds cease to directly or indirectly hold 16% or more



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## LETTER FROM SOMERLEY

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of the Holdco Ordinary Shares; or (b) the date which is five years after the completion of the withdrawal of listing of the Company from the Stock Exchange after the Effective Date. Further, the Holdco Shares will not be tradable or transferable without the prior consent of the Holdco Board (which may be withheld in its absolute discretion, subject to the laws of the Cayman Islands); and

- (iv) Scheme Shareholders should also be aware that there is no dividend policy in respect of the Holdco Ordinary Shares. The majority of the Holdco Shares will be issued in the form of Holdco Preference Shares which carry the rights to a fixed cumulative yearly compounding preferential dividend at the rate of 12% of the original issue price. **However, there is no guarantee that any dividends will be paid in respect of the Holdco Shares;** and
- (v) **Changes in the business and economic environment could adversely affect the operating profits of Holdco or the value of Holdco's assets.**

Disinterested Scheme Shareholders' attention is drawn to the additional information on the rights as a holder for the Holdco Shares as set out in the "Letter from the Board" and "Explanatory Memorandum" of the Scheme Document. Disinterested Scheme Shareholders are also recommended to review the Holdco Articles (item b of the section headed "Documents available for inspection" as set out in Appendix III to the Scheme Document) which contains, among others, various rights and obligations of a Holdco Shareholder, power of Holdco Directors and meeting procedures, etc.

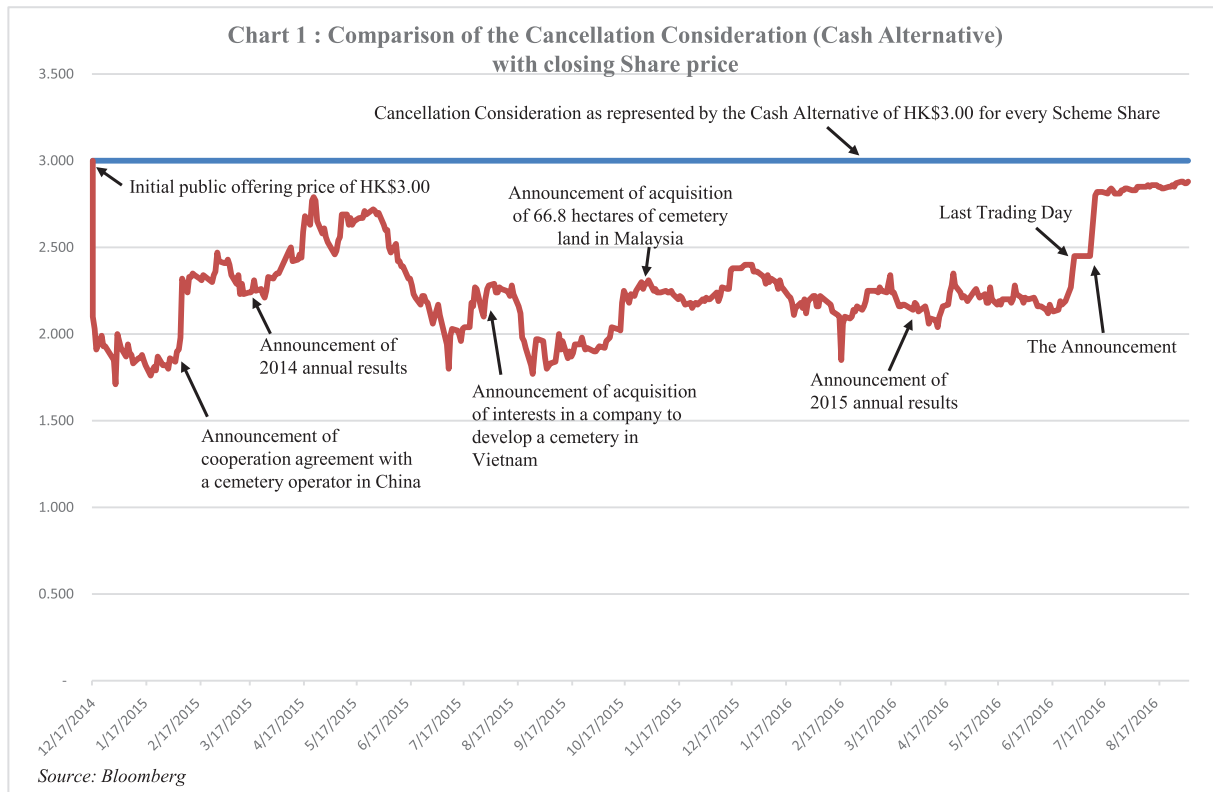
Disinterested Scheme Shareholders should note that the two parties committed to accept the Holdco Shares Alternative are Rightitan, which is ultimately owned by the Founder, and Orchid, in which one Director is deemed to have interest. In other words, these are sophisticated shareholders who will be entitled to appoint Holdco Director(s) and participate in the management of Holdco in the future.

## LETTER FROM SOMERLEY

### 6. Analysis of price performance and trading liquidity of the Shares

#### (a) Historical price performance of the Shares

Chart 1 below illustrates the daily closing price per Share from 17 December 2014, being the first day of trading of the Shares on the Stock Exchange, up to and including the Latest Practicable Date (the “**Review Period**”), and Chart 2 below compares the Share price performance with certain indices.



## LETTER FROM SOMERLEY

Chart 2: Share price performance compared to Hang Seng Index and Hang Seng Foreign Companies Composite Index



Note: Chart 2 above was prepared based on information from Bloomberg by comparing the closing price/point of the Shares, the Hang Seng Index and the Hang Seng Foreign Companies Composite Index on each trading day during the Review Period to their respective closing price/point on 17 December 2014 (being first day of trading of the Shares on the Stock Exchange)

The Cash Alternative of HK\$3.00 per Scheme Share under the Proposal is above the closing Share price throughout the Review Period. The price for the initial public offering was fixed at HK\$3.00 per Share, but when trading started the price sank and closed at HK\$2.10 per Share on the first trading day on 17 December 2014. Since then, the highest closing price of the Shares up to the Last Trading Day was HK\$2.79 per Share on 22 April 2015. As set out in Chart 2 above, following the initial decline, the performance of the Shares has in general followed the Hang Seng Index and the Hang Seng Foreign Companies Composite Index during the Review Period. The Shares closed at HK\$2.45 per Share on 29 June 2016 (i.e. the Last Trading Day) and trading in the Shares was suspended from 30 June 2016. The Announcement was published after trading hours on 8 July 2016 and trading in the Shares resumed on 11 July 2016. The Shares closed at HK\$2.80 per Share on 11 July 2016, representing an increase of approximately 14.3% comparing to the closing price on the Last Trading Day. The Shares closed at HK\$2.88 per Share on the Latest Practicable Date and the Cash Alternative of HK\$3.00 per Scheme Share represents a premium of approximately 4.2% over the closing price on the Latest Practicable Date.

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### (b) Trading liquidity

Set out in the table below are the monthly total trading volumes of the Shares and the percentages of such monthly total trading volumes to the total issued share capital and the public float of the Company during the Review Period:

	Monthly total trading volume of the Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 2)	Percentage of the monthly total trading volume of the Shares to the public float of the Company (Note 2 & 3)
<b>2014</b>			
December .....	507,185,000	18.8%	75.2%
<b>2015</b>			
January .....	86,659,600	3.2%	12.8%
February .....	252,088,700	9.3%	37.4%
March .....	86,573,400	3.2%	12.8%
April .....	123,230,835	4.6%	18.3%
May .....	48,854,560	1.8%	7.2%
June .....	63,294,300	2.3%	9.4%
July .....	55,127,290	2.0%	8.2%
August .....	67,761,200	2.5%	10.0%
September .....	43,576,400	1.6%	6.5%
October .....	69,666,000	2.6%	10.3%
November .....	46,279,000	1.7%	6.9%
December .....	72,990,928	2.7%	10.8%
<b>2016</b>			
January .....	36,819,329	1.4%	5.5%
February .....	10,115,896	0.4%	1.5%
March .....	48,851,500	1.8%	7.2%
April .....	38,834,485	1.4%	5.8%
May .....	27,167,154	1.0%	4.0%
June .....	30,707,010	1.1%	4.5%
July .....	72,907,783	2.7%	10.8%
August .....	45,496,000	1.7%	6.7%
From 1 September 2016 to the Latest Practicable Date .....	1,098,111	0.0%	0.2%

*Notes:*

1. Source: Bloomberg
2. The calculation is based on the monthly total trading volume of the Shares divided by the total issued share capital of the Company or the total number of the Shares in public float at the end of each month (or at the Latest Practicable Date for September 2016).
3. The total number of Shares in public float is calculated based on the number of total issued Shares excluding the Shares held by Committed Shareholders and the directors (or their close associates as defined in the Listing Rules) of the Company and/or its subsidiaries at the end of each month (or at the Latest Practicable Date for September 2016).

Based on the above table, the Shares were actively traded in December 2014, the month of the initial public offering of the Shares. However, in 2015, the trading volumes of the Shares declined to a range of approximately 1.6% to 9.3% of the total issued Shares, and between approximately 6.5% and 37.4% of the total issued Shares in public hands. We note that the trading volume of the Shares was exceptionally high in February 2015 compared to other months of that year. Excluding February, the trading volumes of the Shares reached/exceeded 10% of the public float for six months and were below 10% of the public float for the remaining five months. The executive Directors advised us that they were not aware of any reasons for the high trading volume in February 2015. However, generally

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speaking, trading volume of shares on the stock market could be affected by a number of factors, including but not limited to, financial position of the companies, operation and outlook of the companies, prospects of the industry, trading environment of the stock market, potential/completed merger and acquisition transactions and market speculation of any corporate actions of the companies. From January to June 2016, the trading volumes of the Shares were within a range of approximately 1.5% to 7.2% of the public float, which we regard as relatively thin. In our opinion, the higher trading volume in July 2016 is likely to be due to the market reaction after the publication of the Announcement. Accordingly, taking into account the volatile trading volumes of the Shares since its listing and the recently thin trading volumes of the Shares (before the publication of the Announcement), we do not consider the trading of the Shares has been consistently active during the Review Period, and particularly in the first half of 2016.

Given the above, the Scheme Shareholders should note that if they wish to sell a significant number of their Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the Shares. The higher level of trading volume subsequent to the Announcement may not be sustainable if the Proposal and the Scheme lapse. Therefore, the Proposal provides an opportunity for the Scheme Shareholders to dispose of their entire holdings at a fixed Cancellation Consideration for cash (under the Cash Alternative) if they so wish.

*(c) Cancellation Consideration comparisons*

The Cancellation Consideration as represented by the Cash Alternative of HK\$3.00 per Scheme Share represents:

- (a) a premium of approximately 37.0% over the closing price of HK\$2.19 per Share as quoted on the Stock Exchange on 24 June 2016 (i.e. the Undisturbed Date);
- (b) a premium of approximately 38.9% over the average closing price of approximately HK\$2.16 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Undisturbed Date;
- (c) a premium of approximately 37.6% over the average closing price of approximately HK\$2.18 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Undisturbed Date;
- (d) a premium of approximately 37.0% over the average closing price of approximately HK\$2.19 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Undisturbed Date;
- (e) a premium of approximately 36.4% over the average closing price of approximately HK\$2.20 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Undisturbed Date;
- (f) a premium of approximately 22.4% over the closing price of HK\$2.45 per Share as quoted on the Stock Exchange on 29 June 2016 (i.e. the Last Trading Day);
- (g) a premium of approximately 35.1% over the average closing price of approximately HK\$2.22 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (h) a premium of approximately 36.4% over the average closing price of approximately HK\$2.20 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

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- (i) a premium of approximately 36.4% over the average closing price of approximately HK\$2.20 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (j) a premium of approximately 36.4% over the average closing price of approximately HK\$2.20 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day; and
- (k) a premium of approximately 4.2% over the closing price of HK\$2.88 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As set out in the section headed “Terms of the Proposal” in the “Letter from the Board” contained in the Scheme Document, the average daily trading volume over the Disturbed Period (being the three trading days from 27 June 2016 to 29 June 2016) was 3,011,300 Shares. The average daily trading volume over the Undisturbed Period (being the thirty trading days from 13 May 2016 to the Undisturbed Date) was 1,330,650 Shares. The share price of the Company traded up by approximately 3.65%, 3.96% and 3.81% during the trading days in the Disturbed Period. In contrast, the Hang Seng Index traded down by approximately 0.16%, 0.27% and up by approximately 1.31% in the corresponding trading days in the Disturbed Period. On this basis, we consider that the comparison of the Cancellation Consideration (as represented by the Cash Alternative) to the closing Share prices on and before the Undisturbed Date are more relevant to the Scheme Shareholders for the purpose of comparing the Share prices with the Cancellation Consideration. The Cancellation Consideration as represented by the Cash Alternative represents premia in a range of approximately 36.4% to 38.9% over the closing Share prices for different periods before the Undisturbed Date.

*(d) Price to earnings and dividend yield*

As set out in the section headed “Information on the Company” in the “Explanatory memorandum” contained in the Scheme Document, the Group is principally engaged in the business of bereavement care. As mentioned in the sub-section headed “Information and prospects of the Group” above of this letter, approximately 83.6% of the Group’s revenue was generated in Malaysia for the year ended 31 December 2015. Accordingly, we have conducted a search on Bloomberg on a best effort basis for companies primarily listed on the Stock Exchange which, based on their latest published annual reports available as at the date immediately before the Latest Practicable Date, are principally engaged in the provision of funeral services with their revenue mainly derived in Malaysia. Based on the above criteria, we have identified no companies comparable to the Company. We did identify three public companies namely Fu Shou Yuan International Group Limited (stock code: 1448), Anxian Yuan China Holdings Limited (stock code: 922) and Sino-Life Group Limited (stock code: 8296), which were engaged in the provision of funeral services principally in China. Fu Shou Yuan International Group Limited and Anxian Yuan China Holdings Limited have a price to earnings (“P/E”) ratio of 27.97 times and 79.38 times respectively as at the Latest Practicable Date (as sourced from Bloomberg) and Sino-Life Group Limited recorded a net loss for the latest financial year as at the Latest Practicable Date. However, based on their respective latest published annual reports, all/most of the revenue of these three companies were generated in mainland China with no significant revenue being generated from Malaysia. Given the above, we do not consider these three public companies to be comparable to the Company. We also note that there are companies listed on overseas stock exchanges which are engaged in funeral services. However, given that these

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companies are listed in overseas markets with different characteristics to Hong Kong, we consider that a comparison with such companies would not provide meaningful information for the Disinterested Scheme Shareholders.

Accordingly, we have not performed any comparable company analysis for the Proposal. Our analysis of the Cash Alternative has been set out in other parts of this letter including analysis on historical Share price and trading volume (as set out in the sub-section headed “Analysis of price performance and trading liquidity of the Shares” above) and privatisation precedents (as set out in the sub-section headed “Privatisation precedents” below). In addition, as a general illustration, we performed a comparison of the P/E ratio and dividend yield of the Company and Hang Seng Index. Although the P/E ratio and dividend yield of the Hang Seng Index are based on a number of companies which may be of different size and may operate in industries different from the Company, we consider that the comparison of P/E and dividend yield to the Hang Seng Index can illustrate to the Shareholders whether they, if willing to invest in other companies listed on the Stock Exchange, can make use of the cash proceeds from the Cash Alternative to achieve a higher return. The results are set out below:

	P/E	Dividend Yield
	(Approximately)	(Approximately)
The Company	12.02 times (based on basic earnings per share) ( <i>Note 1</i> ) 23.04 times (based on adjusted earnings per share) ( <i>Note 2</i> )	2.67% ( <i>Note 3</i> )
Hang Seng Index ( <i>Note 4</i> )	12.66 times	3.50%

*Notes:*

1. The implied P/E (based on basic earnings per share) of the Company was calculated based on (a) the Cancellation Consideration as represented by the Cash Alternative of HK\$3.00 per Scheme Share; and (b) the basic earnings per ordinary share attributable to owners of the Company of US\$0.0322 per Share for the year ended 31 December 2015 as set out in the Company’s 2015 annual report converted to HK\$ at an exchange rate of HK\$7.75:US\$1.
2. As explained in the sub-section headed “Information and prospects of the Group” of this letter above, the Group recorded a non-recurring exchange gain of approximately US\$41.5 million for the year ended 31 December 2015. In the “Five years financial highlights” contained in the Company’s 2015 annual report, the Company sets out an adjusted profit and adjusted earnings per ordinary share excluding the non-recurring net foreign exchange gain for 2015. The implied P/E (based on adjusted earnings per share) of the Company was calculated based on (a) the Cancellation Consideration as represented by the Cash Alternative of HK\$3.00 per Scheme Share; and (b) the adjusted earnings per ordinary share attributable to owners of the Company of US\$0.0168 per Share for the year ended 31 December 2015 converted to HK\$ at an exchange rate of HK\$7.75:US\$1.
3. The implied dividend yield of the Company was calculated based on (a) the Cancellation Consideration as represented by the Cash Alternative of HK\$3.00 per Scheme Share; and (b) the aggregate of final dividend and interim dividend of the Company of HK\$0.08 per Share for the year ended 31 December 2015.
4. The P/E and dividend yield of Hang Seng Index are sourced from Bloomberg as at the Latest Practicable Date.

As set out in the table above, the implied P/Es of the Company are approximately 12.02 times (based on basic earnings per share) and 23.04 times (based on adjusted earnings per share). As discussed in the sub-section headed “Information and prospects of the Group” of this letter above, the Group recorded a non-recurring net foreign exchange gain of approximately US\$41.5 million in 2015 and a non-recurring net foreign exchange loss of approximately US\$9.6 million during the first half of 2016. In our opinion, the results of the Group based on adjusted profits, excluding non-recurring net foreign exchange gains (also as discussed in the abovementioned section), better reflect the results of the Group’s operations. Accordingly, we consider the implied P/E of the Company based on the adjusted earnings per share is more relevant to the Disinterested Scheme Shareholders.



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The implied P/E of the Company (based on adjusted earnings per share) of approximately 23.04 times is higher than the P/E of the Hang Seng Index, which we consider may be favourable to the Scheme Shareholders. In addition, the implied dividend yield of the Company of approximately 2.67% above is lower than the dividend yield of the Hang Seng Index. On this basis, accepting Disinterested Scheme Shareholders (assuming acceptance of the Cash Alternative) could, if they wished, reinvest the proceeds from the Cash Alternative in other listed Hong Kong companies to achieve a higher yield.

### 7. Privatisation precedents

We have compared the Proposal and the Scheme to all the ten successful privatisation proposals (the “**Privatisation Precedents**”) of companies with primary listing on the Main Board of the Stock Exchange announced since 1 January 2014, approximately two and a half years before the Announcement, and up to the Latest Practicable Date (i.e. excluding pending or failure cases). Set out below are the details of all the Privatisation Precedents based on the abovementioned selection criteria:

Date of announcement	Company	Premium of offer/cancellation price over the share price of the relevant company prior to announcement of privatisation proposals (Note 1)				
		Last trading day	10 days share price average	30 days share price average	60 days share price average	120 days share price average
30 May 2016	Dalian Wanda Commercial Properties Co., Ltd. (stock code: 3699) (Note 2)	36.1%	39.7%	50.2%	44.6%	24.3%
18 February 2016	Dongpeng Holdings Company Limited (stock code: 3386) (Note 3)	31.8%	47.4%	46.9%	51.9%	50.3%
6 January 2016	New World China Land Limited (stock code: 917)	25.6%	29.4%	40.8%	45.8%	57.9%
20 October 2015	Wumart Stores, Inc (stock code: 1025)	90.2%	86.8%	68.6%	48.4%	18.9%
13 August 2015	Jingwei Textile Machinery Company Limited (stock code: 350) (Note 4)	22.7%	43.0%	14.1%	5.4%	12.0%
27 May 2015	Dorsett Hospitality International Limited (stock code: 2266) (Note 5)	32.4%	38.5%	41.7%	44.0%	39.5%
26 February 2015	econtext Asia Limited (stock code: 1390)	41.0%	62.9%	59.8%	60.4%	49.8%
11 December 2014	Hunan Nonferrous Metals Corporation Limited (stock code: 2626)	68.7%	60.3%	55.6%	50.0%	64.1%
8 May 2014	Regent Manner International Holdings Limited (stock code: 1997)	32.4%	33.3%	37.4%	38.5%	37.4%
1 April 2014	Wing Hang Bank, Limited (stock code: 302) (Note 6)	49.2%	54.6%	59.2%	67.4%	63.6%
	<b>Highest</b>	<b>90.2%</b>	<b>86.8%</b>	<b>68.6%</b>	<b>67.4%</b>	<b>64.1%</b>
	<b>Lowest</b>	<b>22.7%</b>	<b>29.4%</b>	<b>14.1%</b>	<b>5.4%</b>	<b>12.0%</b>
	<b>Mean</b>	<b>43.0%</b>	<b>49.6%</b>	<b>47.4%</b>	<b>45.6%</b>	<b>41.8%</b>
	<b>Median</b>	<b>34.3%</b>	<b>45.2%</b>	<b>48.6%</b>	<b>47.1%</b>	<b>44.7%</b>
<b>8 July 2016</b>	<b>The Proposal and the Scheme</b>					
	—By reference to the Undisturbed Date	<b>37.0%</b>	<b>38.9%</b>	<b>37.6%</b>	<b>37.0%</b>	<b>36.4%</b>
	—By reference to the Last Trading Day	22.4%	35.1%	36.4%	36.4%	36.4%

Source: Bloomberg and published announcements and privatisation documents relating to the above proposals

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### Notes:

- (1) The premiums were calculated based on the closing share prices as sourced from Bloomberg and the offer price of the privatisation proposals for shares listed on the Stock Exchange.
- (2) The premiums were calculated based on the H share offer price of the privatisation proposal over the H share price of Dalian Wanda Commercial Properties Co., Ltd. ("**Dalian Wanda**") prior to the announcement dated 30 March 2016 issued by Dalian Wanda on the possible voluntary general offer to acquire all the issued H shares in the capital of Dalian Wanda.
- (3) The premiums were calculated based on the offer price of the privatisation proposal over the share price of Dongpeng Holdings Company Limited ("**Dongpeng**") prior to the announcement dated 4 February 2016 issued by Dongpeng on the possible proposal for privatisation of Dongpeng by way of a scheme of arrangement.
- (4) The premiums were calculated based on the offer price of the privatisation proposal over the share price of Jingwei Textile Machinery Company Limited ("**Jingwei**") prior to the announcement dated 28 July 2015 issued by Jingwei on the possible offer to acquire all the issued H shares of Jingwei by China Hengtian Group Limited.
- (5) As set out in the announcement of Dorsett Hospitality International Limited ("**Dorsett**"), the cancellation consideration for each share under the privatisation proposal comprised (a) a cash consideration of HK\$0.72 and (b) 0.28125 consideration share. The premiums were calculated based on the cancellation consideration of HK\$1.80 per share based on the closing price of the consideration share on the last trading day prior to the announcement of the privatisation proposal.
- (6) The premiums were calculated based on the offer price of the privatisation proposal over the share price of Wing Hang Bank, Limited ("**WHB**") prior to the announcement dated 16 September 2013 issued by WHB regarding a possible disposal of interests in WHB.

As set out in the paragraph headed "Cancellation Consideration comparisons" above of this letter, we consider that the comparison of the Cancellation Consideration (as represented by the Cash Alternative) to the closing Share prices on and before the Undisturbed Date are more relevant to the Scheme Shareholders for the purpose of comparing the Share prices with the Cancellation Consideration. Based on the table above, the premia represented by the Cash Alternative under the Proposal by reference to the Undisturbed Date are in a range of approximately 36.4% to 38.9%. Depending on the period taken for calculation, these premia vary in comparison to the premia of the Privatisation Precedents. In general, they are lower than the mean and median (except for the median of premium over the last trading day) of the premia of the Privatisation Precedents, while staying within the range.

### THE RULE 13 OFFER

Holdco is making a cash offer to cancel the Options under the Rule 13 Offer, conditional upon the Scheme becoming effective. As at the Latest Practicable Date, there were 44,542,649 Options held by Optionholders which are convertible into same number of the Shares, with exercise price of HK\$1.525. Details regarding the Options are set out in the paragraph headed "Options and the Rule 13 Offer" in the section headed "Terms of the Proposal" in the "Letter from the Board" in the Scheme Document.

As set out in the "Explanatory Memorandum" of the Scheme Document, under the Rule 13 Offer, each Optionholder will be entitled to receive the Option Amount of HK\$1.475 for each Option held as at the Rule 13 Offer Record Date. The Option Amount is calculated on a "see-through" basis, being the amount of the cancellation consideration under the Cash Alternative (i.e. HK\$3.00), less the exercise price of each Option of HK\$1.525. The "see-through" principle is normally adopted in Hong Kong for general offers and privatisation proposals of a similar nature. All Options are in-the-money (i.e. the exercise prices are below the cancellation consideration under the Cash Alternative).

In the event that any Option(s) is/are exercised on or prior to the Latest Option Exercise Date, any Share(s) issued as a result of the exercise of such Option(s) shall be subject to and eligible to

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participate in the Scheme. Further details in relation to the Rule 13 Offer are set out in the “Letter from the Board” and the “Explanatory Memorandum” of the Scheme Document, and the “Rule 13 Offer Letter” to be sent to Optionholders contained in Appendix IX to the Scheme Document.

### MANAGEMENT INCENTIVE PLAN

As set out in the Company’s announcement dated 25 August 2016 and in the “Explanatory Memorandum” of the Scheme Document, upon the Scheme becoming effective, Holdco intends to adopt a management incentive plan (the “MIP”) for the purpose of providing incentives to eligible participants (the “MIP Participants”). It is currently envisaged that the MIP Participants will be nine key members of the management team in the Group who have extensive operational expertise and an in-depth understanding of the Group’s business and industry. The MIP allows the MIP Participants to acquire an indirect stake in the Company (through their stake in Holdco as further discussed below) so that they will be incentivised to continue to contribute to the development of the Group. We are of the view that it is an accepted practice for companies to adopt a management incentive plan to retain experienced personnel and align their interests with the interests of shareholders of those companies. The MIP will not be adopted if the Proposal is not approved or lapses.

As set out in the section headed “Management Incentive Plan” in the “Explanatory Memorandum” of the Scheme Document, the MIP Participants would be given the opportunity to acquire Holdco Ordinary Shares and Holdco Preference Shares (the “MIP Holdco Shares”) for a consideration which will be at or around the top end value of the Holdco Ordinary Shares (i.e. HK\$0.0775 per share) or Holdco Preference Shares (i.e. HK\$0.7750 per share) as estimated by J.P. Morgan in its valuation letter contained in Appendix V to the Scheme Document. The aggregate value of the Holdco Ordinary Shares and the Holdco Preference Shares to be granted under the MIP is US\$50,000 and US\$4,950,000 respectively. Assuming all Scheme Shareholders other than the Committed Holdco Shares Alternative Shareholders elect the Cash Alternative and none of the Optionholders exercise any of their Options, the total number of MIP Holdco Shares would amount to no more than 0.8% of the total issued share capital of Holdco upon the Scheme becoming effective, which we consider is not a material amount.

The MIP Holdco Shares will be subject to the same rights and obligations, including transfer and lock-up restrictions, as other Holdco Shares of the same class as set out in the Holdco Articles and as described in the Scheme Document.

It is further stated in the same section of the Scheme Document that all of the proposed MIP Participants hold in aggregate approximately 0.004% of the Company’s issued share capital as at the Latest Practicable Date. As the MIP is available only to the MIP Participants (all of whom are Shareholders), and is not offered to all Scheme Shareholders, the implementation of the MIP will constitute a special deal under Rule 25 of the Takeovers Code. Holdco has made an application to the Executive for its consent to the MIP, such consent being conditional on (a) the Independent Financial Advisor publicly stating in its opinion that the terms of the MIP are fair and reasonable; and (b) approval by independent Shareholders who are not interested in or involved in the MIP (i.e. excluding the Shareholder MIP Participants and Shareholders who are not Disinterested Scheme Shareholders) by way of poll at the EGM.

Taking into account (i) the MIP Holdco Shares to be granted to the MIP Participants will be subject to the rights and obligations as set out in the Holdco Articles, as for other Holdco Shares to be

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issued under the Holdco Shares Alternative of the Proposal offered to Scheme Shareholders; (ii) the MIP Participants will be required to pay for the MIP Holdco Shares and the consideration will be at or around the top end value of the Holdco Shares as estimated by J.P. Morgan; as set out in the sub-section headed “Information on the Holdco Shares” of this letter above, we consider the methodology set out in J.P. Morgan’s letter in Appendix V to the Scheme Document is a reasonable approach in establishing the estimated value of the Holdco Shares; and (iii) the reasons for the adoption of the MIP which, in our view, is an accepted practice adopted by companies to reward and incentivise experienced personnel, we are of the view that the terms of the MIP are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned.

### DISCUSSION

#### (i) The Proposal

As set out above, we consider the Holdco Shares Alternative may be tailored to suit large and sophisticated shareholders and consequently we do not consider it suitable for the general body of Disinterested Scheme Shareholders. Consequently, the discussion below related to the Cash Alternative except for the final sub-paragraph on the Holdco Shares Alternative.

##### *Historical price performance*

The Scheme Shares will be cancelled at HK\$3.00 each under the Cash Alternative. **The Cancellation Consideration will not be increased, and Holdco does not reserve the right to do so.** We have assessed the fairness of the Cash Alternative by reviewing the Share prices of the Company since its listing. During the Review Period, the Shares have consistently traded below the Cash Alternative which is the same as the initial public offering price of HK\$3.00 per Share. The performance of the Shares since listing has not been favourable compared to both the Hang Seng Index and the Hang Seng Foreign Companies Composite Index (other than the surge in Share price after the Undisturbed Date). The Shares closed at HK\$2.88 per Share on the Latest Practicable Date.

##### *Trading volume*

Trading of the Shares has not been consistently active during the Review Period. Trading volumes of the Shares have been volatile since its listing and became thin in 2016 before the publication of the Announcement. Accordingly, Scheme Shareholders as a whole might not be able to dispose of their Shares without causing downward pressure on the market price. In our view, the relatively high level of trading after the publication of the Announcement may not be sustainable if the Proposal and the Scheme lapse. Consequently, we consider the Proposal and the Scheme provide an opportunity for the Scheme Shareholders to dispose of their entire holdings at a fixed Cancellation Consideration for cash (under the Cash Alternative), which is at a premium to historical Share prices and to the closing market price of the Shares as at the Latest Practicable Date.

##### *Comparison of the Cash Alternative to historical Share prices*

The Cash Alternative represents premium in a range of approximately 22.4% to 36.4% over the closing Share prices for different periods before the Last Trading Day. However, considering the unusual movements in the closing Share prices and trading volumes in the Shares after the Undisturbed Date, we consider that premiums over the Share price before the Undisturbed Date provide a more

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## LETTER FROM SOMERLEY

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valid basis for comparison and assessment of the Cash Alternative. On this basis, the Cash Alternative represents premium in a range of approximately 36.4% to 38.9% over the closing Share prices for different periods before the Undisturbed Date, which we consider attractive and, as set out in the next paragraph, within the range of privatisation proposals in Hong Kong.

### *Privatisation precedents*

In order to assess the fairness and reasonableness of the Cancellation Consideration (as represented by the Cash Alternative), we have identified the Privatisation Precedents since 1 January 2014. As set out in the sub-section headed “Privatisation Precedents” of this letter above, the premia represented by the Cash Alternative under the Proposal by reference to the Undisturbed Date vary in comparison with the Privatisation Precedents, depending on the period taken, but in general are lower than the mean and median of the Privatisation Precedents, while staying within the range.

### *Price to earnings and dividend yield*

As explained in this letter above, we have not performed an analysis of the Proposal based on comparable companies as no Hong Kong listed company we can identify carries on a similar business in Malaysia. As a general guide, we have compared the P/E and dividend yield of the Proposal to those of the Hang Seng Index. The higher P/E as represented by the Proposal (based on adjusted earnings per share which we consider to be more relevant to the Scheme Shareholders) than the Hang Seng Index is considered to be favourable to the Scheme Shareholders. Based on a lower dividend yield compared to that of the Hang Seng Index, the Scheme Shareholders would be able to reinvest the proceeds from the Cash Alternative in listed Hong Kong companies to achieve a higher yield.

### *Net assets value*

The net asset value of the Group as at 30 June 2016 based on the unaudited interim results is approximately HK\$0.95 per Share, less than one third of the Cash Alternative. Independent professional valuations of the Group’s property interests have been conducted and the details of which are set out in Appendix II to the Scheme Document. We have not made any adjustment to the above net asset value of the Group when performing our analysis as the difference between the net book value and the valuation of the Group’s property interests is immaterial. As the Group is profitable and pays dividends, our analysis of the Group’s value depends principally on these factors and not on the net assets value.

### *The Holdco Shares Alternative*

Based on the analysis of J.P. Morgan, with which we concur, the Holdco Shares Alternative is valued at between HK\$2.51 and HK\$3.00, i.e. equal to or somewhat below the Cash Alternative. Disinterested Scheme Shareholders who are attracted by the prospects of the Company may consider accepting the Holdco Shares Alternative. However, as explained in this letter above, we do not think the Holdco Shares Alternative is suitable for the general body of Disinterested Scheme Shareholders who will have a sharply decreased level of liquidity and shareholder protection. Disinterested Scheme Shareholders are advised to study associated risks in holding of Holdco Shares by referring to (a) the sub-section headed “Risks which Disinterested Scheme Shareholders should bear in mind in evaluating the Holdco Shares Alternative” of this letter; (b) the paragraph headed “Risks relating to the holding of Holdco Shares” in the “Letter from the Board” and

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## LETTER FROM SOMERLEY

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relevant disclosure in the “Explanatory Memorandum” of the Scheme Document; and (c) “Summary of Holdco Articles” contained in Appendix IV to the Scheme Document if they are considering accepting the Holdco Shares Alternative.

### (ii) The Rule 13 Offer

The cancellation consideration for the Options are determined by reference to the cancellation consideration of the Cash Alternative of HK\$3.00 and the exercise price of the Options of HK\$1.525. This is the “see-through” principle which is normally adopted in Hong Kong in such circumstances. Optionholders must exercise their Options by the Latest Option Exercise Date (being 2:30 p.m. on Tuesday, 4 October 2016) in order to qualify for entitlements under the Scheme. Upon the Scheme becoming effective, all Options will be cancelled under the Rule 13 Offer.

### (iii) The MIP

The Shareholder MIP Participants hold in aggregate approximately 0.004% of the total issued shares of the Company as at the Latest Practicable Date and they will benefit from the MIP which is not available to all Scheme Shareholders and this give rise to a special deal under the Takeovers Code. Based on the reasons set out above, we consider the terms of the MIP are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned.

## OPINION AND RECOMMENDATIONS

### (i) The Proposal and the MIP

Based on the above principal factors and reasons, we consider the terms of the Proposal and the MIP are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned. Accordingly, we recommend that the Independent Board Committee advises the Disinterested Scheme Shareholders to vote in favour of the resolution(s) to be proposed at the Court Meeting to approve the Scheme and at the EGM to approve the MIP and matters as set out in the “Notice of EGM” contained in Appendix VIII to the Scheme Document.

Disinterested Scheme Shareholders should note that the cancellation consideration of HK\$3.00 under the Cash Alternative represents a slight premium of approximately 4.2% compared to the closing price of the Shares of HK\$2.88 as at the Latest Practicable Date. If the market price of the Shares exceeds HK\$3.00 (which however we consider unlikely in light of the trading of the Shares since the Announcement), Disinterested Scheme Shareholders should consider selling their Shares in the market if the sales proceeds, net of transaction costs, exceed HK\$3.00 per Share. The latest time for dealing in the Shares is 4:00 p.m. on Thursday, 29 September 2016 and upon the Scheme becoming effective, the listing of the Shares will be withdrawn.

Disinterested Scheme Shareholders who are attracted by the prospects of the Company (which will become a wholly-owned subsidiary of Holdco on the Effective Date) may consider accepting the Holdco Shares Alternative. However, in that case, they should bear in mind the comments on lack of liquidity and the associated risks which we mention in the sub-section headed “Risks which Disinterested Scheme Shareholders should bear in mind in evaluating the Holdco Shares Alternative” under the section headed “Principal factors and reasons considered” above. Disinterested Scheme Shareholders’ attention is also drawn to (i) the detailed information on the rights as a holder of the Holdco Shares; and (ii) risks for holding the Holdco Shares, as set out in the Scheme Document.



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## LETTER FROM SOMERLEY

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Disinterested Scheme Shareholders are also recommended to review the Holdco Articles as summarised in Appendix IV to the Scheme Document. Disinterested Scheme Shareholders are strongly advised to read all such information before accepting the Holdco Shares Alternative.

### *Whether to accept the Cash Alternative or the Holdco Shares Alternative under the Proposal*

We recommend Disinterested Scheme Shareholders **to accept the Cash Alternative of HK\$3.00 and not to take the Holdco Shares Alternative**, which we consider has been tailored principally for a large sophisticated investor and not suitable for the general body of Disinterested Scheme Shareholders. In our opinion, only those Disinterested Scheme Shareholders who are attracted by the prospects of the Company as described in the sub-section headed “Information and prospects of the Group” under the section headed “Principal factors and reasons considered” above and have carefully studied the specific features of the Holdco Shares Alternative and the associated risks of holding the Holdco Shares (discussed in the sub-section above headed “Risks which Disinterested Scheme Shareholders should bear in mind in evaluating the Holdco Shares Alternative”), should consider taking the Holdco Shares Alternative.

### **(ii) The Rule 13 Offer**

We consider the terms of the Rule 13 Offer, which are based on the “see-through” principle, to be fair and reasonable so far as the Optionholders are concerned.

Should the market price of the Shares exceed HK\$3.00 (which as stated above we consider unlikely), Optionholders should consider exercising their Options in accordance with the relevant schemes and selling in the market the Shares issued to them, if the net proceeds after deducting the expenses from such sale would exceed HK\$3.00 per Share.

The latest time for (a) Optionholders to exercise their Options in order to qualify for entitlements under the Scheme and (b) lodging transfers of the Shares in order to qualify for entitlements under the Scheme is 2:30 p.m. and 4:30 p.m. on Tuesday, 4 October 2016, respectively. Further details regarding the procedures for acceptance of the Proposal and the Rule 13 Offer are set out in the Scheme Document. Disinterested Scheme Shareholders and Optionholders are urged to act according to this timetable if they wish to qualify for entitlements under the Scheme.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**

M. N. Sabine  
*Chairman*

*Mr. M. N. Sabine is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years' experience in the corporate finance industry.*



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## EXPLANATORY MEMORANDUM

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*This Explanatory Memorandum constitutes the memorandum required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised).*

**SCHEME OF ARRANGEMENT  
TO CANCEL ALL THE SCHEME SHARES  
IN CONSIDERATION OF HOLDCO AGREEING  
TO OFFER CASH OF HK\$3.00,  
OR  
2.100076 HOLDCO PREFERENCE SHARE(S) AND 0.031501 HOLDCO ORDINARY  
SHARE(S) PLUS CASH OF HK\$1.37,  
FOR EVERY SCHEME SHARE  
AND THE PROPOSED CASH OFFER TO CANCEL  
ALL OUTSTANDING OPTIONS**

### 1. INTRODUCTION

On 8 July 2016, Holdco, Equityco and the Company entered into the Implementation Agreement, pursuant to which the parties agreed that Holdco will pursue the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law. If the Proposal is approved and implemented, it will result in the Company becoming a direct wholly-owned subsidiary of Bidco and an indirect wholly-owned subsidiary of Holdco and the withdrawal of the listing of the Shares on the Stock Exchange.

The purpose of this Explanatory Memorandum is to explain the terms and effects of the Scheme and the Rule 13 Offer and to provide Scheme Shareholders and Optionholders with relevant information in relation to the Scheme and the Rule 13 Offer, and in particular, to state any material interest of the Directors, whether as Directors or as members or as creditors of the Company or otherwise, and the effect thereon of the Scheme, in so far as it is different from the effect on the like interests of other persons.

The particular attention of Scheme Shareholders and Optionholders is drawn to the following sections of this Scheme Document: (a) a letter from the Board set out in pages 12 to 35 of this Scheme Document, (b) a letter from the Independent Board Committee in connection with the Scheme and the Rule 13 Offer set out in pages 36 to 37 of this Scheme Document; (c) a letter from Somerley, the Independent Financial Advisor to the Independent Board Committee, set out in pages 38 to 63 of this Scheme Document; (d) the Scheme set out in Appendix VI of this Scheme Document; (e) the notice of the Court Meeting and the notice of the EGM set out in Appendix VII and Appendix VIII of this Scheme Document; (f) proxy forms in respect of the Court Meeting and the EGM as enclosed with this Scheme Document; and (g) the Election Form as enclosed with this Scheme Document. Optionholders are also urged to read carefully the Rule 13 Offer Letter which is sent separately to Optionholders.

### 2. TERMS OF THE PROPOSAL

Subject to the satisfaction or waiver, as applicable, of the Conditions, the Proposal is to be implemented by way of the Scheme and the Rule 13 Offer.

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## EXPLANATORY MEMORANDUM

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Under the Scheme, the Scheme Shares will be cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive either:

- (a) **Cash Alternative:** cash of HK\$3.00 for every Scheme Share; or
- (b) **Holdco Shares Alternative:** 2.100076 Holdco Preference Share(s) and 0.031501 Holdco Ordinary Share(s), plus cash of HK\$1.37, for every Scheme Share.

Scheme Shareholders (other than the Committed Cash Alternative Shareholder which has undertaken to elect the Cash Alternative only and the Committed Holdco Shares Alternative Shareholders which have undertaken to elect the Holdco Shares Alternative only) are entitled to either the Cash Alternative or the Holdco Shares Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two, save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners). Scheme Shareholders who wish to receive the Holdco Shares Alternative should make a valid election for the Holdco Shares Alternative in accordance with this Scheme Document. Scheme Shareholders who do not make any election, or fail to make a valid election, for the Holdco Shares Alternative in accordance with this Scheme Document, will receive the Cash Alternative if the Scheme becomes effective. **The Cancellation Consideration will not be increased, and Holdco does not reserve the right to do so.**

Holdco has agreed, subject to the Scheme becoming effective, that it will make available for allotment and issuance such number of Holdco Shares as will be required under the Holdco Shares Alternative.

The Cancellation Consideration will not include any dividends which may be declared by the Company prior to the Effective Date. No dividends or other distributions have been or will be declared by the Company from the Announcement Date up to the earlier of the Effective Date and the date on which the Scheme lapses or is withdrawn, both dates inclusive.

Please refer to the section below headed “13. Comparison of Value” for a comparison of the recent market prices of the Shares and the Cash Alternative and a description of the value of the Holdco Shares Alternative.

As at the Latest Practicable Date, there were 2,699,301,830 Shares in issue, 23,131,034 Employee Share Rights and 20,702,345 Employee Share Warrants under the ESR Scheme convertible into 43,833,379 Shares at an exercise price of HK\$1.525, 709,270 Sales Agent Share Rights under the SASR Scheme convertible into 709,270 Shares at an exercise price of HK\$1.525 and no Share Options under the Share Option Scheme.

The latest time for Optionholders to exercise their Options in order to become entitled to attend and vote at the Court Meeting and the EGM is 4:30 pm on Thursday, 22 September 2016. In the event that any Option(s) is/are exercised on or prior to such date, the relevant registered holder of the Share(s) issued upon exercise of the relevant Option shall be entitled to attend and vote at the Court Meeting and/or the EGM (as the case may be) in respect of the relevant Share.

In the event that any Option(s) is/are exercised on or prior to the Latest Option Exercise Date, any Share(s) issued as a result of the exercise of such Option(s) shall be subject to and eligible to participate in the Scheme.

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## EXPLANATORY MEMORANDUM

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Any Optionholder whose Options have not been exercised as at 4:30 pm on Thursday, 22 September 2016 and/or the Latest Option Exercise Date (as the case may be), will not be entitled to attend and vote at the Court Meeting and the EGM in respect of such Options, and will not be eligible to participate in the Scheme, respectively, but will be entitled to receive the Option Amount as set out in their respective Rule 13 Offer Letter in respect of such Options.

Save as disclosed above, the Company does not have any outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

Details of the Rule 13 Offer made by Holdco in respect of the Options are set out in the section headed “3. Options and the Rule 13 Offer” below, and in the form of the Rule 13 Offer Letter set out in Appendix IX to this Scheme Document.

If the Proposal does not become unconditional, the Company has no intention to seek the immediate withdrawal of the listing of the Shares on the Stock Exchange and the Company will remain listed on the Stock Exchange.

Settlement of the Cash Alternative and cash element under the Holdco Shares Alternative as well as the Option Amount to which the Scheme Shareholders and the Optionholders are entitled under the Proposal and the Rule 13 Offer, respectively, will be implemented in full in accordance with the terms of the Proposal and the Rule 13 Offer, respectively, without regard to any lien, right of set-off, counterclaim or other analogous right to which Holdco may otherwise be, or claim to be, entitled against any such Scheme Shareholder or Optionholder.

**Investors should be aware of, among other things but not limited to, the following risk factors of holding Holdco Shares:**

- **Holdco Shares are not listed on any stock exchange and do not benefit from the protections afforded by the Listing Rules or the Takeovers Code;**
- **Holdco Shares are illiquid and there is no ready market in Holdco Shares;**
- **Holdco Shares are subject to certain transfer restrictions (please refer to the sub-section headed “The Holdco Shares Alternative” under section “13. Comparison of Value” in the Explanatory Memorandum);**
- **Holdco Shares are subject to the rights and restrictions set out in the Holdco Articles (please refer to the section headed “7. Share capital of Holdco and capital, dividends & voting rights of Holdco Shares” in Appendix III—General Information and “Appendix IV—Summary of Holdco Articles” to this Scheme Document);**
- **there is no guarantee that any dividend payments will be paid in respect of Holdco Shares;**
- **changes in the business and economic environment could adversely affect the operating profits of Holdco or the value of Holdco’s assets. For example, financial factors such as currency controls, devaluation or regulatory changes, or stability factors such as mass riots, civil war and other potential events could contribute to Holdco’s operational risks;**

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## EXPLANATORY MEMORANDUM

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- **there is currency risk as a result of Holdco's assets and business operations being across national borders; and**
- **there is general business risk associated with the funeral and bereavement care services industry.**

### **3. OPTIONS AND THE RULE 13 OFFER**

#### **The Options**

As at the Latest Practicable Date, there were 23,131,034 Employee Share Rights and 20,702,345 Employee Share Warrants under the ESR Scheme convertible into 43,833,379 Shares at an exercise price of HK\$1.525, and 709,270 Sales Agent Share Rights under the SASR Scheme convertible into 709,270 Shares at an exercise price of HK\$1.525.

As at the Latest Practicable Date, Mr. Soo Wei Chian, an executive Director, beneficially owned 1,000 Shares in the Company and held 20,702,345 Employee Share Warrants under the ESR Scheme. Other than Mr. Soo, none of the Directors has any interests in any Options. Mr. Soo has indicated that he intends to vote to approve the Scheme in the Court Meeting and the Reduction and Restoration in the EGM respectively in respect of the 1,000 Shares that he beneficially owns and have his remaining Employee Share Warrants cancelled pursuant to the Rule 13 Offer.

#### **The Rule 13 Offer**

Pursuant to Rule 13 of the Takeovers Code, Holdco is making the Rule 13 Offer to the Optionholders to cancel all their Options. Under the Rule 13 Offer, each Optionholder will be entitled to receive the Option Amount of HK\$1.475 for each Option held as at the Rule 13 Offer Record Date. The Option Amount of HK\$1.475 is calculated on a "see-through" basis, so that each Optionholder will be entitled to receive a price for his/her Options being the amount by which the Cash Alternative under the Scheme exceeds the exercise price of each Option of HK\$1.525. No Hong Kong stamp duty is payable pursuant to the Stamp Duty Ordinance under the Rule 13 Offer. The Rule 13 Offer is conditional upon the Scheme becoming effective and binding.

#### **Options exercised prior to 4:30 pm on Thursday, 22 September 2016 and/or the Latest Option Exercise Date**

The latest time for Optionholders to exercise their Options in order to become entitled to attend and vote at the Court Meeting and the EGM is 4:30 pm on Thursday, 22 September 2016. In the event that any Option(s) is/are exercised on or prior to such date, the relevant registered holder of the Share(s) issued upon exercise of the relevant Option shall be entitled to attend and vote at the Court Meeting and/or the EGM (as the case may be) in respect of the relevant Share(s).

In the event that any Option(s) is/are exercised on or prior to the Latest Option Exercise Date, any Share(s) issued as a result of the exercise of such Option(s) shall be subject to and eligible to participate in the Scheme.

#### **Options not exercised prior to 4:30 pm on Thursday, 22 September 2016 and/or the Latest Option Exercise Date**

Any Optionholder whose Options have not been exercised as at 4:30 pm on Thursday, 22 September 2016 and/or the Latest Option Exercise Date (as the case may be), will not be entitled to

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## EXPLANATORY MEMORANDUM

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attend and vote at the Court Meeting and the EGM in respect of such Options, and will not be eligible to participate in the Scheme, respectively, but will be entitled to receive the Option Amount as set out in their respective Rule 13 Offer Letter in respect of such Options.

### **Termination of the ESR Scheme and SASR Scheme**

Pursuant to the by-laws of the ESR Scheme and the SASR Scheme, each of the ESR Scheme and the SASR Scheme may be terminated at any time before 31 December 2019 (being the expiry date of each such scheme), provided that consent has been obtained from the Shareholders.

At the EGM, an ordinary resolution will be submitted for Shareholders' vote, conditional upon the Scheme becoming effective, to terminate the ESR Scheme and the SASR Scheme on the Effective Date.

### **Payment of Option Amount**

If the Scheme becomes effective and the ESR Scheme and SASR Scheme are terminated, each Optionholder as at the Rule 13 Offer Record Date will be entitled to receive the Option Amount as set out in their respective Rule 13 Offer Letters that are sent to the Optionholders individually.

The cheques for payment of the Option Amount under the Rule 13 Offer will be dispatched within seven Business Days following the Effective Date. Please refer to the section headed "Expected Timetable" as set out in this Scheme Document for details.

All payments in respect of the Option Amount will be made in Hong Kong dollars. Settlement of the Option Amount to which Optionholders are entitled under the Rule 13 Offer will be implemented in full in accordance with the terms of the Rule 13 Offer, without regard to any lien, right of set-off, counterclaim or other analogous right which Holdco may otherwise be, or claim to be, entitled against any such Optionholder.

### **Rule 13 Offer Letter**

The Rule 13 Offer Letter setting out the terms and conditions of the Rule 13 Offer is being dispatched separately to Optionholders and is substantially in the form set out in "Appendix IX—Form of Rule 13 Offer" in accordance with the terms and conditions of the Rule 13 Offer Letter to this Scheme Document.

## **4. TOTAL CONSIDERATION AND CONFIRMATION OF FINANCIAL RESOURCES**

On the basis that (a) all Committed Holdco Shares Alternative Shareholders elect the Holdco Shares Alternative, (b) the Committed Cash Alternative Shareholder and all the other Scheme Shareholders are to receive the Cash Alternative and (c) all Optionholders exercise their Options in full and become Scheme Shareholders and are to receive the Cash Alternative, the total maximum cash consideration payable under the Proposal is HK\$5,401,170,470.26, of which HK\$3,022,276,443.00 will be payable under the Cash Alternative in respect of 1,007,425,481 Scheme Shares (including Shares issued upon exercise of Options by the Optionholders but excluding the Committed Holdco Shares Alternative Shares) and HK\$2,378,894,027.26 will be payable under the cash consideration portion of the Holdco Shares Alternative in respect of 1,736,418,998 Committed Holdco Shares Alternative Shares.

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Holdco intends to finance the amount payable under the Proposal and the Rule 13 Offer from part of the Facility, and from funds contributed indirectly by the Investment Funds to Holdco (via a special purpose company) by way of equity subscription. Pursuant to the terms of the documents in relation to the Facility, Bidco has granted security for the benefit of the finance parties under the Facility over certain of its accounts, its other assets and the New Shares and Parentco has granted security over the Bidco Shares. Following the Effective Date, each of the Company, and its subsidiaries Nirvana Asia Sdn. Bhd., Nirvana Memorial Park Sdn. Bhd., NV Alliance Sdn. Bhd. and Harvest China Holdings Limited (together with the Company, the “**Post-Closing Guarantors**”), will have security granted over their respective shares and the Post-Closing Guarantors will grant debentures over all their respective material assets (in each case) for the benefit of the finance parties under the Facility. After the Effective Date, a certain amount of profits generated from the business of the Company and the Group will be used to pay any interest and repay the loan under the Facility. In respect of the amount payable under the Proposal and the Rule 13 Offer that will be indirectly funded by the Investment Funds to Holdco (via a special purpose company) by way of equity subscription, there will not be any interest, repayment of or security for any liability. Additionally, a letter of credit of HK\$2,193,970,470.26 from Lloyds Bank plc and Standard Chartered Bank PLC is also available to Holdco for drawdown. J.P. Morgan, the financial advisor to Holdco, is satisfied that sufficient financial resources are available to Holdco for the full implementation of the Proposal and the Rule 13 Offer in accordance with their terms.

### 5. CONDITIONS OF THE PROPOSAL

The Scheme will become effective and binding on the Company and all Scheme Shareholders, subject to the fulfilment or waiver, as applicable, of the following conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, and in addition, that:
  - (i) the Scheme is approved (by way of poll) by Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Disinterested Scheme Shares held by Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and
  - (ii) the number of votes cast (by way of poll) by Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Disinterested Scheme Shares held by all the Disinterested Scheme Shareholders;
- (b) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders (in person or by proxy) at the EGM to approve and give effect to the Reduction by cancelling all of the Scheme Shares, and (ii) the passing of an ordinary resolution by Shareholders at the EGM to simultaneously restore the issued share capital of the Company to the amount prior to the Reduction and apply the reserve created as a result of the Reduction to pay up in full at par the New Shares to be issued to Bidco;



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## EXPLANATORY MEMORANDUM

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- (c) the sanction of the Scheme (with or without modifications) by the Grand Court and to the extent necessary, the Grand Court's confirmation of the Reduction and the delivery to the Registrar of Companies of a copy of the orders of the Grand Court for registration;
- (d) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 to 17 of the Companies Law in relation to the Reduction;
- (e) all Authorisations in connection with the Proposal having been obtained or made from, with or by (as the case may be) the relevant Authorities in the Cayman Islands, Hong Kong and any other relevant jurisdictions;
- (f) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any related matters, documents (including circulars) or things, in each case up to and at the time when the Scheme becomes effective;
- (g) all necessary consents in connection with the Proposal and the withdrawal of listing of the Company from the Stock Exchange which may be required under any existing contractual obligations of the Company being obtained and remaining in effect;
- (h) if required, the obtaining by Holdco of such other necessary consent, approval, authorisation, permission, waiver or exemption which may be required from any relevant Authority or other third parties which are necessary for the performance of the Scheme under the applicable laws and regulations;
- (i) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of Holdco to proceed with the Proposal or the Scheme;
- (j) since 30 June 2016, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal); and
- (k) since the Announcement Date, there not having been instituted or remaining outstanding any litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings having been threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted

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## EXPLANATORY MEMORANDUM

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or remaining outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

When the Conditions are fulfilled or waived, as applicable, the Scheme will become effective and binding on Holdco, Bidco, the Company and all Scheme Shareholders. Holdco reserves the right (but is not obliged) to waive conditions (e), (f), (g), (h), (i), (j) and (k) either in whole or in part, either generally or in respect of any particular matter. Conditions (a), (b), (c) and (d) cannot be waived in any event. In respect of condition (e), as at the date of this Scheme Document, Holdco and the Company do not reasonably foresee any necessary Authorisations required in connection with the Proposal from, with or by (as the case may be) the relevant Authorities in the Cayman Islands, Hong Kong and any other relevant jurisdictions, save for the Authorisations already set out above as a Condition, the sanction of the Grand Court and the registration of the order and relevant minutes in respect of the Reduction with the Registrar of Companies and the delivery to the Registrar of Companies of a copy of the Court Order. In respect of Condition (h), as at the date of this Scheme Document, Holdco and the Company are not aware of any consent, approval, authorisation, permission, waiver or exemption from any relevant Authority or other third parties which are necessary for the performance of the Scheme under the applicable laws and regulations. As at the Latest Practicable Date, none of the Conditions have been fulfilled or waived (as applicable). All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

Assuming that the Conditions are fulfilled (or, as applicable, waived), it is expected that the Scheme will become effective on or around 5 October 2016 (Cayman Islands time) and the listing of Shares on the Stock Exchange will be withdrawn at 9:00 a.m. on 7 October 2016 pursuant to Rule 6.15(2) of the Listing Rules. Further announcements will be made in the event of a change of the expected Effective Date of the Scheme.

An announcement will be made by Holdco and the Company if the Scheme lapses. Further announcements regarding the Proposal will be made as and when appropriate.

### **6. IRREVOCABLE UNDERTAKINGS TO ACCEPT THE PROPOSAL**

On 8 July 2016, Holdco received Irrevocable Undertakings from the Committed Shareholders, pursuant to which each of the Committed Shareholders has undertaken to, amongst other things, vote (or procure votes) to approve the Scheme at the Court Meeting and the Reduction and the Restoration at the EGM respectively in respect of the Committed Shares (which in aggregate represent approximately 74.99% of the issued share capital of the Company as at the Latest Practicable Date). Pursuant to the Irrevocable Undertakings, (a) AIF has committed to elect the Cash Alternative as the form of Cancellation Consideration, and (b) each of Rightitan and Orchid has committed to elect the Holdco Shares Alternative as the form of Cancellation Consideration. Accordingly, under the Scheme, Holdco will, through Bidco, be entitled to (a) 287,677,002 Shares from AIF for a total consideration of HK\$863,031,006.00 in cash paid by Holdco, (b) 1,152,347,563 Shares from Rightitan for a total consideration of approximately HK\$1,578,716,161.31 in cash paid by Holdco, 36,300,101 Holdco Ordinary Shares and 2,420,017,461 Holdco Preference Shares, and (c) 584,071,435 Shares from Orchid for a total consideration of approximately HK\$800,177,865.95 in cash paid by Holdco, 18,398,834 Holdco Ordinary Shares and 1,226,594,403 Holdco Preference Shares. As at the Latest Practicable Date, none of the Committed Shareholders hold any Options.

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## EXPLANATORY MEMORANDUM

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### **The Rightitan Irrevocable Undertaking**

Under the Rightitan Irrevocable Undertaking, Rightitan irrevocably undertook to (a) to the extent permitted by SFC and applicable laws, exercise or procure the exercise of the voting rights attached to the Shares that it holds at the Court Meeting to approve the Scheme and at the EGM to approve the Reduction and the Restoration, respectively; and (b) elect the Holdco Shares Alternative as the form of Cancellation Consideration. If the Scheme becomes effective, Rightitan will receive from Holdco HK\$1,578,716,161.31 in cash, 36,300,101 Holdco Ordinary Shares and 2,420,017,461 Holdco Preference Shares.

In addition to the above undertakings, Rightitan also undertook that, among other things, it shall not, before the Effective Date (or if the Scheme or the Reduction and the Restoration are not approved at the Court Meeting or the EGM, before the date of the Court Meeting) and other than in connection with the Scheme or pursuant to the above undertakings (a) dispose of or otherwise create any encumbrances on all or any of the Shares that it holds; (b) accept, and shall exercise or procure the exercise of such voting rights against, any other offer or proposals in respect of the Shares that it holds or in respect of the disposal of material assets of the Group by any person other than Holdco; (c) except with the prior written consent of Holdco, purchase any Shares or other securities of the Company (or any interest therein); (d) except to the extent required by the Takeovers Code, the SFC, the Listing Rules, the Stock Exchange or any applicable laws, enter into any agreement or arrangement in relation to its Shares or to do all or any of the acts referred to in (a), (b) and (c) of this paragraph which would or might restrict or impede the implementation of the Proposal and the Scheme by the Company or Rightitan's ability to comply with its Irrevocable Undertaking; (e) except to the extent required under the Takeovers Code, the Listing Rules or any applicable laws, take any action or make any statement which may have the effect of delaying, disrupting or otherwise causing the Scheme not to become effective, or which may be prejudicial to the success of the Scheme; or (f) save for any action required to give effect to the Proposal and the Scheme and otherwise than as contemplated in this Scheme Document, without prior written consent of Holdco, purchase, redeem or repay any of its own Shares or securities or make any change to any part of its share capital.

Rightitan further undertook that unless consented by Holdco, it shall not approve any frustrating action (as defined in Rule 4 of the Takeovers Code) proposed by the Board, including but not limited to the declaration or payment of any dividends or other distributions by the Company during the offer period of this Scheme.

Under the Rightitan Irrevocable Undertaking, Rightitan warranted, among other things, to (a) Holdco that, the distributable cash balance of the Group as at certain reference dates shall not be less than US\$120 million; and (b) Equityco and Holdco certain customary warranties relating to the Company, including that the contract sales of the Company for (i) the three years ended 31 December 2013, 2014 and 2015 as published by the Company on the Stock Exchange's website, (ii) the three-month period ended 31 March 2016 as published by the Company on the Stock Exchange's website and (iii) the two-month period ended 31 May 2016 are true, accurate and not misleading as at the relevant time when such results were published on the Stock Exchange or as at their reference date, as the case may be.

A sum of US\$10 million is held in an escrow account which Holdco may deduct from (subject to certain remedial actions that the Company may take), if there is a breach of the distributable cash balance warranty.

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## EXPLANATORY MEMORANDUM

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Furthermore, each of Rightitan and Equityco has undertaken to each other pursuant to the Rightitan Irrevocable Undertaking that during the Non-Compete Period, that it shall not, and shall procure that their respective affiliates will not, subject to certain exceptions, (a) without prior written consent of the other be interested in any company which is engaged or involved in the Restricted Business; or otherwise engage or be involved or participate or invest in or provide other support, financial or otherwise, to any company which is engaged or involved in any Restricted Business; (b) seek orders from or do business with customers of a member of the Group at the relevant time or in the 12-month period prior to such time (other than in respect of business that is unrelated to the Restricted Business); (c) solicit for engagement or employment a director, officer or manager of a member of the Group (or such persons who was a director, officer or manager of a member of the Group during the 12 months prior to the date of such solicitation or contact) (other than a person who was terminated by a member of the Group); (d) seek to contract with suppliers of products, goods, materials or services to any member of the Group at the relevant time or in the 12-month period prior to such time (other than in respect of products or businesses that are being procured for matters unrelated to the Restricted Business); or (e) use or grant or agree to grant the right to use any trademark, business name or mark, domain name or any website or otherwise operate under any name containing (i) the word(s) “Nirvana”, “富貴”, “富貴”, “富貴生命” or “富貴生命”, or (ii) any business or trade name used exclusively by any member of the Group at the date which is no later than seven business days after the Effective Date or (iii) any other word(s) closely resembling any such word(s) or business or trade name (other than in respect of business that is unrelated to the Restricted Business).

The Rightitan Irrevocable Undertaking can be terminated immediately if (a) the Announcement fails to be published in accordance with such Irrevocable Undertaking; (b) the Scheme is not implemented by the Long Stop Date; (c) the Scheme is not approved at the Court Meeting; (d) the Reduction or the Restoration is not approved at the EGM; or (e) the Grand Court does not sanction the Scheme or confirm the Reduction.

### **The AIF Irrevocable Undertaking**

Under the Irrevocable Undertaking given by AIF, AIF irrevocably undertook to (a) exercise or procure the exercise of the voting rights attached to Shares that it holds at the Court Meeting to approve the Scheme and at the EGM to approve the Reduction and the Restoration, respectively; and (b) elect the Cash Alternative as the form of Cancellation Consideration, in each case, in accordance with the terms and subject to the conditions set out in this Scheme Document. If the Scheme becomes effective, AIF will receive from Holdco HK\$863,031,006.00 in cash.

In addition to the above undertakings, AIF also undertook that, among other things, it shall not, before the Effective Date (or if the Scheme or the Reduction and the Restoration are not approved at the Court Meeting or the EGM, as the case may be, before the date of the Court Meeting), other than in connection with the Scheme or pursuant to the above undertakings (a) encumber or otherwise dispose of all or any of the Shares that it holds; (b) accept any other offer or proposals in respect of the Shares that it holds by any person other than Holdco; or (c) enter into any agreement or arrangement to do all or any of the acts referred to in (a), (b) and (c) of this paragraph, which would or might restrict or impede the implementation of the Proposal and the Scheme by any person or AIF's ability to comply with its Irrevocable Undertaking.

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## EXPLANATORY MEMORANDUM

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Furthermore, AIF irrevocably undertook, among other things, that

- (a) it shall exercise the voting rights attached to the Shares it holds on any resolution which would assist implementation of the Scheme in accordance with Holdco's reasonable instructions;
- (b) it shall exercise the voting rights attached to the Shares it holds against any resolution which purports to approve a proposal to acquire any Shares or any material assets of the Company by any person other than Holdco;
- (c) it shall not make, and not permit any company in which it has any interest to, make any offer to acquire the whole or any part of the issued share capital of the Company;
- (d) it shall not enter into any agreement or arrangement with any person to do any of the acts referred to in this paragraph;
- (e) except to the extent required under the Takeovers Code, the Listing Rules or any applicable laws, it shall not take any action or make any statement which may have the effect of delaying, disrupting or otherwise causing the Scheme not to become effective, or which may be prejudicial to the success of the Scheme; and
- (f) it shall not approve any frustrating action (as defined in Rule 4 of the Takeovers Code) proposed by the Board, including but not limited to the declaration or payment of any dividends or other distributions by the Company during the offer period of this Scheme.

The Irrevocable Undertaking given by AIF shall terminate immediately if (a) the Announcement fails to be published in accordance with the terms of such Irrevocable Undertaking; (b) the Scheme is not implemented by the Long Stop Date; (c) the Scheme is not approved at the Court Meeting; (d) the Reduction is not approved at the EGM; (e) the Grand Court does not sanction the Scheme or confirm the Reduction; or (f) AIF elects at its option to terminate subsequent to a third party unrelated to AIF or its affiliates making an announcement pursuant to Rule 3.5 of the Takeovers Code at a cash price per Share that is higher than the Cash Alternative.

### **The Orchid Irrevocable Undertaking**

Under the Irrevocable Undertaking given by Orchid, Orchid irrevocably undertook to (a) exercise or procure the exercise of the voting rights attached to Shares that it holds at the Court Meeting and the EGM to approve the Scheme, the Reduction and the Restoration, respectively; and (b) elect the Holdco Shares Alternative as the form of Cancellation Consideration, in each case, in accordance with the terms and subject to the conditions set out in this Scheme Document. If the Scheme becomes effective, Orchid will receive from Holdco HK\$800,177,865.95 in cash, 18,398,834 Holdco Ordinary Shares and 1,226,594,403 Holdco Preference Shares.

In addition to the above undertakings, Orchid also undertook that, among other things, it shall not, before the Effective Date (or if the Scheme or the Reduction and the Restoration is not approved at the Court Meeting or the EGM, as the case may be, before the date of the Court Meeting or the EGM, as the case may be), other than in connection with the Scheme or pursuant to the above undertakings (a) encumber or otherwise dispose of all or any of the Shares that it holds; (b) accept any other offer or proposals in respect of the Shares that it holds by any person other than Holdco; or (c) except with the prior written consent of Holdco, purchase any Shares or other securities of the Company (or any interest therein).



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Furthermore, Orchid irrevocably undertook, among other things, that:

- (a) it shall exercise the voting rights attached to the Shares it holds on any resolution which would assist implementation of the Scheme in accordance with Holdco's reasonable instructions;
- (b) it shall exercise the voting rights attached to the Shares it holds against any resolution which purports to approve a proposal to acquire any Shares or any material assets of the Company by any person other than Holdco; and
- (c) Orchid shall not, and not permit any company in which it has any interest to, make any offer to acquire the whole or any part of the issued share capital of the Company.

The Irrevocable Undertaking given by Orchid shall terminate immediately if (a) the Announcement fails to be published in accordance with the terms of such Irrevocable Undertaking; (b) the Scheme is not implemented by the Long Stop Date; (c) the Scheme is not approved at the Court Meeting; (d) the Reduction is not approved at the EGM; or (e) the Grand Court does not sanction the Scheme or confirm the Reduction.

As at the Latest Practicable Date, none of the Committed Shareholders holds any Options. As at the Latest Practicable Date, save as disclosed above, the Holdco Board has confirmed that no other persons have irrevocably committed themselves to vote to approve or reject the Scheme at the Court Meeting or the resolutions to be proposed at the EGM.

### 7. IMPLEMENTATION AGREEMENT

On 8 July 2016, Holdco, Equityco and the Company entered into the Implementation Agreement, pursuant to which the parties agreed that Holdco will pursue the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares and allotment and issue of New Shares to an indirect wholly-owned subsidiary of Holdco. If the Proposal is approved and implemented, it will result in the Company becoming a direct wholly-owned subsidiary of Bidco and an indirect wholly-owned subsidiary of Holdco and the listing of the Shares will be withdrawn from the Stock Exchange.

Pursuant to the Implementation Agreement, the Company and Holdco will use all commercially reasonable endeavours to implement the Scheme and the Rule 13 Offer in accordance with the timetable of the Scheme and Holdco will provide such cooperation and assistance to the Company as the Company may reasonably request. The Company undertakes not to withdraw the Scheme or allow the Scheme to lapse or procure the withdrawal or lapse of the Scheme without the express written consent of Holdco. The Scheme may be varied or amended upon request by Holdco.

In addition, the Company undertakes that it will not, and will procure that no member of the Group shall solicit, encourage or otherwise seek to procure the submission of proposals or indications of interests or offers of any kind which are reasonably likely to lead to an Alternative Proposal from any person other than Holdco, or enter into, or participate in, any discussions or negotiations (other than responding to unsolicited enquiries) with any such person in relation to an Alternative Proposal, or provide any due diligence information on the Company and the Group to any third party in connection with a possible competing offer, save to the extent that the Board reasonably considers that not to do so would be reasonably likely to be inconsistent with their directors' duties, having taken appropriate external legal advice, or as required under Rule 6 of the Takeovers Code or other applicable laws. If



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## EXPLANATORY MEMORANDUM

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any member of the Group (or its directors, employees, advisers or agents) is approached for any Alternative Proposal or receives requests for information under Rule 6 of the Takeovers Code, the Company shall notify Holdco as soon as permitted by applicable laws. The Company will not withdraw the Scheme or permit any recommendation to be withdrawn or modified for a period of five business days following announcement of an Alternative Proposal and during such period the Board will not make any recommendation as to the Alternative Proposal. However, if Holdco communicates a revision of the terms of the Proposal such that the terms of the Proposal (as so revised) are no less favourable to the Shareholders than the terms of the Alternative Proposal to the Company within the five business days period referred to above, subject to the views of the Independent Board Committee, the Board will, if it had recommended the Proposal, continue to provide an unqualified recommendation of the revised Proposal and shall make an announcement to this effect.

Furthermore, the Company has undertaken to Holdco that it will not (and will procure that each member of the Group will not) without the prior consent of Holdco (during the period between the date of the Implementation Agreement and the earlier of the Effective Date and the date of termination of the Implementation Agreement) do, among other things, the following (save for any action required to give effect to the Proposal and otherwise than as contemplated in this Scheme Document or other document required to be published in connection with the Scheme and the Implementation Agreement):

- (a) carry on their respective businesses other than in the ordinary and usual course;
- (b) save for the obligations in respect of existing Options, allot, issue, authorise or propose the issue of any securities or make any change to its share capital;
- (c) recommend, propose, declare, pay or make any bonus issue, dividend or other distribution whether payable in cash or otherwise;
- (d) merge with any body corporate or acquire or dispose of any assets or authorise, proposed or announce any intention to propose any merger, demerger, acquisition or disposal;
- (e) issue, authorise or propose the issue of any debentures or, save in the ordinary course of business, incur or increase any indebtedness or contingent liability;
- (f) enter into any contract, arrangement or commitment which is of a long-term, onerous or unusual nature or magnitude which, in any case, is material in the context of the Group taken as a whole; and
- (g) transfer, assign or sub-license to any third party any intellectual property which it owns or has the right of use as at the date of the Implementation Agreement as well as any other intellectual property which it subsequently acquires or obtains the right of use of.

The Company also warrants to Equityco on certain customary aspects including among other things, corporate matters, assets and properties, intellectual property, employment, litigation and annual unaudited contract sales of the Group for (a) the three years ended 31 December 2013, 2014 and 2015 as published by the Company on the Stock Exchange's website, (b) the three-month period ended 31 March 2016 as published by the Company on the Stock Exchange's website, and (c) the two-month period ended 31 May 2016, and that each of the warranty is true, accurate and not misleading as at the date of the Implementation Agreement, the despatch date of this Scheme Document and the Effective Date or the date as otherwise specified in the relevant warranty, as the case may be.

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## EXPLANATORY MEMORANDUM

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Under the terms of the Implementation Agreement, Holdco will be entitled to terminate the Implementation Agreement prior to the Effective Date, by way of service of a written notice to the Company, following a failure of any of the Conditions (which cannot be waived), or if the recommendation of the Directors as to whether the Shareholders should vote to approve the Proposal at the Court Meeting and at the EGM contained in this Scheme Document is withdrawn at any time prior to the Grand Court's sanction of the Scheme and confirmation of the Reduction. There are no prescribed circumstances under the Implementation Agreement under which such recommendation of the Directors may be withdrawn. The Directors may, for example, withdraw any recommendation for the Proposal in the future if it receives a takeover offer from a third party on terms which are more favourable to Scheme Shareholders than the terms of the Proposal and Holdco fails to within five business days following the announcement of the takeover offer from the third party revise the terms of the Proposal such that the terms of the Proposal (as so revised) are no less favourable than those offered by the third party.

The Grand Court and other corporate procedures for implementing the Proposal will be carried out by the Company in accordance with the terms of the Implementation Agreement, subject to the relevant laws in the Cayman Islands and the Takeovers Code. Should the Implementation Agreement be terminated, the continued implementation of the Proposal is dependent upon the Company, the result of which is effectively controlled by the Board, and the Company's implementation of the Proposal will be subject to the relevant laws in the Cayman Islands and the Takeovers Code and in particular, the Directors will have regard to their duties as Directors as to whether or not to proceed with the Proposal.

The termination of the Implementation Agreement will not affect Holdco's obligations under the Takeovers Code in respect of the Proposal and therefore Holdco's obligations under the Takeovers Code in respect of the Proposal (including the obligation under the Takeovers Code for an offeror to proceed with an offer unless the offer is subject to the fulfilment of a specific condition and that condition has not been met) remain unaffected regardless of whether the Implementation Agreement is terminated. As discussed above, the Grand Court and other corporate procedures for implementing the Proposal will be carried out by the Company. Therefore to that extent, Holdco is reliant on the Directors to implement the Proposal in accordance with the relevant laws in the Cayman Islands and the Takeovers Code, and in this regard, the Directors are under a fiduciary duty to act in the best interest of the Company. This is the case irrespective of whether the Implementation Agreement exists or is terminated. Accordingly, the position of the Shareholders in relation to the Scheme will not be prejudiced in the event of a termination of the Implementation Agreement.

### **8. SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES LAW AND THE COURT MEETING**

Pursuant to Section 86 of the Companies Law, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be held in such manner as the Grand Court directs.

## EXPLANATORY MEMORANDUM

### 9. ADDITIONAL REQUIREMENTS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements imposed by law as summarised above, but except with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code requires that the Scheme may only be implemented if:

- (a) the Scheme is approved by at least 75% in value of the votes attaching to the Disinterested Scheme Shares that are cast either in person or by proxy by poll at a duly convened meeting of the Disinterested Scheme Shareholders; and
- (b) the number of votes cast against the resolution to approve the Scheme at such meeting is not more than 10% of the votes attaching to all Disinterested Scheme Shares.

For the purpose of this vote, Disinterested Scheme Shareholders comprise all Shareholders other than Holdco Group, Holdco Concert Parties and Shareholder MIP Participants. Votes of Shareholders who are not Disinterested Scheme Shareholders will not be counted for the purpose of satisfying the additional requirements under Rule 2.10 of the Takeovers Code.

As at the Latest Practicable Date, the Disinterested Scheme Shareholders held in aggregate 1,546,845,267 Shares. 10% of the votes attached to all Disinterested Scheme Shares referred to in paragraph (b) above therefore represent 154,684,527 Shares as at the Latest Practicable Date.

### 10. BINDING EFFECT OF THE SCHEME

Notwithstanding the fact that there may be a dissenting minority, if the Scheme is approved at the Court Meeting in accordance with the requirement of Section 86 of the Companies Law and Rule 2.10 of the Takeovers Code (as described above), the Scheme will, so long as it is sanctioned by the Grand Court and becomes effective in accordance with the Companies Law, become binding on the Company and all the Scheme Shareholders and, pursuant to an undertaking given by each of Holdco and Bidco to the Grand Court, on Holdco and Bidco.

### 11. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, there were 2,699,301,830 Shares in issue. The table below sets out the shareholding structure of the Company as at the Latest Practicable Date (assuming that none of the Optionholders exercise any of their Options):

	Number of Shares owned	% of the total issued share capital
Holdco .....	0	0.00
<b>Holdco Concert Parties</b>		
—Rightitan .....	1,152,347,563	42.69
	1,152,347,563	42.69
<b>Shareholder MIP Participants</b> .....	109,000	0.004
	109,000	0.004
<b>Disinterested Scheme Shareholders</b>		
—Committed Cash Alternative Shareholder .....	287,677,002	10.66
—Committed Holdco Shares Alternative Shareholders (other than Rightitan) ...	584,071,435	21.64
—Other Shareholders .....	675,096,830	25.01
	1,546,845,267	57.31
<b>Total</b>	2,699,301,830	100.00

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The Shareholders held an aggregate of 2,699,301,830 Shares as at the Latest Practicable Date, of which 1,546,845,267 Shares were held by the Disinterested Scheme Shareholders (representing approximately 57.31% of the Shares in issue) and 1,152,347,563 Shares (representing approximately 42.69% of the Shares in issue) were held by Righttitan, a party presumed to be acting in concert with Holdco.

As at the Latest Practicable Date, other than 23,131,034 Employee Share Rights and 20,702,345 Employee Share Warrants under the ESR Scheme, and 709,270 Sales Agent Share Rights under the SASR Scheme, convertible into 44,542,649 Shares in aggregate, the Company does not have any outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

Each of Holdco and Bidco has agreed to undertake to the Grand Court that each of them will be bound by the Scheme, so as to ensure that they will be subject to the terms and conditions of the Scheme.

### 12. SHAREHOLDING STRUCTURE OF BIDCO AND HOLDCO

As at the Latest Practicable Date, there were 100 Bidco Shares and one Holdco Share in issue and there are no outstanding convertible securities, warrants, options or derivatives in respect of any Bidco Shares or Holdco Shares.

The table below sets out the shareholding structure of Holdco as at the Latest Practicable Date and immediately following implementation of the Proposal assuming only the Committed Holdco Shares Alternative Shareholders elect the Holdco Shares Alternative and assuming that all Optionholders receive the Option Amount in respect of all their Options:

	As at the Latest Practicable Date	Immediately following implementation of the Proposal			
	% of the issued share capital	Number of Holdco Ordinary Shares (rounded to the nearest whole number)	Number of Holdco Preference Shares (rounded to the nearest whole number)	Amount of the total issued share capital (HK\$ millions)	% of the total issued share capital
Equityco <sup>(a)</sup> . . . . .	100	45,303,863 <sup>(b)</sup>	2,736,573,408 <sup>(b)</sup>	2,124.36 <sup>(b)</sup>	42.88
Founder's Group . . . . .	0	36,300,101	2,420,017,461	1,878.33 <sup>(b)</sup>	37.91
Orchid . . . . .	0	18,398,834	1,226,594,403	952.04 <sup>(b)</sup>	19.21
Others . . . . .	0	0	0	0.00	0.00
Total . . . . .	100	100,002,798 <sup>(b)</sup>	6,383,185,272 <sup>(b)</sup>	4,954.72 <sup>(b)</sup>	100.00

Notes:

(a) As at the Latest Practicable Date, Equityco owned all the issued Holdco Shares.

(b) The number of Holdco Ordinary Shares and Holdco Preference Shares held by Equityco immediately following the implementation of the Proposal as well as the amount of the issued share capital are calculated based on the exchange rate of HK\$7.75:US\$1.

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The table below sets out the shareholding structure of Holdco as at the Latest Practicable Date and immediately following implementation of the Proposal assuming all Scheme Shareholders (except the Committed Cash Alternative Shareholder) elect the Holdco Shares Alternative and assuming that all Optionholders receive the Option Amount in respect of all their Options:

	As at the Latest Practicable Date	Immediately following implementation of the Proposal			
	% of the issued share capital	Number of Holdco Ordinary Shares (rounded to the nearest whole number)	Number of Holdco Preference Shares (rounded to the nearest whole number)	Amount of the total issued share capital (HK\$ millions)	% of the total issued share capital
Equityco <sup>(a)</sup> . . . . .	100	45,303,863 <sup>(b)</sup>	2,736,573,408 <sup>(b)</sup>	2,124.36 <sup>(b)</sup>	35.08
Founder's Group . . . . .	0	36,300,101	2,420,017,461	1,878.33 <sup>(b)</sup>	31.02
Orchid . . . . .	0	18,398,834	1,226,594,403	952.04 <sup>(b)</sup>	15.72
Others . . . . .	0	21,269,659	1,417,983,559	1,100.59 <sup>(b)</sup>	18.18
Total . . . . .	<u>100</u>	<u>121,272,457<sup>(b)</sup></u>	<u>7,801,168,831<sup>(b)</sup></u>	<u>6,055.30<sup>(b)</sup></u>	<u>100.00</u>

Notes:

(a) As at the Latest Practicable Date, Equityco owned all the issued Holdco Shares.

(b) The number of Holdco Ordinary Shares and Holdco Preference Shares held by Equityco immediately following the implementation of the Proposal as well as the amount of the issued share capital are calculated based on the exchange rate of HK\$7.75:US\$1.

### 13. COMPARISON OF VALUE

#### The Cash Alternative

The cash consideration of HK\$3.00 per Scheme Share under the Cash Alternative represents:

- (a) a premium of approximately 37.0% over the closing price of HK\$2.19 per Share as quoted on the Stock Exchange on the Undisturbed Date, being the last trading day prior to which there were irregular trading volumes and price movements in the Shares;
- (b) a premium of approximately 38.9% over the average closing price of approximately HK\$2.16 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Undisturbed Date;
- (c) a premium of approximately 37.6% over the average closing price of approximately HK\$2.18 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Undisturbed Date;
- (d) a premium of approximately 37.0% over the average closing price of approximately HK\$2.19 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Undisturbed Date;
- (e) a premium of approximately 36.4% over the average closing price of approximately HK\$2.20 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Undisturbed Date;
- (f) a premium of approximately 22.4% over the closing price of HK\$2.45 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (g) a premium of approximately 35.1% over the average closing price of approximately HK\$2.22 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;

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- (h) a premium of approximately 36.4% over the average closing price of approximately HK\$2.20 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (i) a premium of approximately 36.4% over the average closing price of approximately HK\$2.20 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (j) a premium of approximately 36.4% over the average closing price of approximately HK\$2.20 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day; and
- (k) a premium of approximately 4.2% over the closing price of HK\$2.88 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The average daily trading volume over the Disturbed Period was 3,011,300 Shares. The average daily trading volume over the Undisturbed Period was 1,330,650 Shares. The share price of the Company traded up by 3.65%, 3.96% and 3.81% during the trading days in the Disturbed Period. In contrast, the Hang Seng Index traded down by 0.16%, 0.27% and up by 1.31% in the corresponding trading days in the Disturbed Period. The Company is not aware of any reason for the irregular trading volume or price movements in the Shares during the Disturbed Period.

During the period commencing one year preceding the Announcement Date, the highest closing price of Shares as quoted on the Stock Exchange was HK\$2.45 per Share on 29 June 2016, and the lowest closing price of Shares as quoted on the Stock Exchange was HK\$1.77 per Share on 25 August 2015.

During the Relevant Period, the highest closing price of Shares as quoted on the Stock Exchange was HK\$2.88 per Share on 29 August 2016, 30 August 2016 and 2 September 2016, and the lowest closing price of Shares as quoted on the Stock Exchange was HK\$1.85 per Share on 17 February 2016.

The Cash Alternative has been determined on a commercial basis after taking into account the prices of the Shares traded on the Stock Exchange, the trading multiples of comparable trading companies and with reference to other privatisation transactions in Hong Kong in recent years.

A summary of the closing prices of the Shares on the Stock Exchange (a) on the last trading day of each of the six calendar months preceding the Announcement Date; (b) on the Last Trading Day; and (c) on the Latest Practicable Date is set out in “Appendix III—General Information” to this Scheme Document.

### **The Holdco Shares Alternative**

The actual number of Holdco Shares to be made available for allotment and issuance under the Holdco Shares Alternative will be determined as at 11 October 2016, being two clear Business Days after the latest date to submit the Election Form to elect the Holdco Shares Alternative. As at the Latest Practicable Date, there were 2,699,301,830 Shares. On this basis, if all the Scheme Shareholders (other than the Committed Cash Alternative Shareholder) elect the Holdco Shares Alternative, 75,968,594 Holdco Ordinary Shares and 5,064,595,423 Holdco Preference Shares shall be issued under the Holdco Shares Alternative, representing approximately 62.6% of the fully diluted issued ordinary share capital of Holdco and approximately 64.9% of the fully diluted issued preference share capital of Holdco respectively (calculated on the basis that all Optionholders receive the Option Amount in respect of all



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their Options). Fractions of Holdco Shares to be issued to the Scheme Shareholders who have elected the Holdco Shares Alternative are to be rounded to the nearest whole number.

Holdco Shares are shares of a newly incorporated unlisted and exempted company incorporated in the Cayman Islands. As set out in “Appendix V—Estimates of Value of Holdco Shares” to this Scheme Document, J.P. Morgan has advised the Holdco Board that on the basis of the assumptions and methodology outlined in “Appendix V—Estimates of Value of Holdco Shares”, an estimate of the value of a Holdco Ordinary Share is within a range of approximately HK\$0.0542 to HK\$0.0775 and an estimate of the value of a Holdco Preference Share is within a range of approximately HK\$0.5425 to HK\$0.7750.

**Shareholders should note that the Estimates of Value are provided to the Holdco Directors by J.P. Morgan solely for the purposes of paragraph 30 of Schedule I to the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. The Estimates of Value may not be used or relied upon by any third party for any purpose whatsoever and J.P. Morgan expressly disclaims any duty or liability to any third party with respect to the contents of its letter. Further, as stated in Appendix V, each of Holdco and J.P. Morgan expresses no opinion or recommendation to any person as to whether they should accept the Proposal or whether they should make any election to choose the Cash Alternative or the Holdco Shares Alternative. Shareholders are recommended to seek their own independent financial advice. Further, each of Holdco and J.P. Morgan expresses no opinion as to the fairness of the financial terms of the Proposal or the Rule 13 Offer.**

For further details, including the key assumptions and methodology adopted in respect of the Estimate of Value, please refer to “Appendix V—Estimates of Value of Holdco Shares” to this Scheme Document.

The Holdco Ordinary Share(s) to be issued pursuant to the Proposal will be issued free from all encumbrances, credited as fully paid up and will rank *pari passu* with the existing Holdco Ordinary Share(s) at the date of issue. There is no dividend policy in respect of the Holdco Ordinary Share(s). There is no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the Holdco Ordinary Share(s). Declaration and payment of Holdco Ordinary Share(s) dividends (if any) are in the absolute discretion of the Holdco Board, out of the realised or unrealised profits of the Company or out of the premium paid on the issue of any Holdco Share or as otherwise permitted by the Companies Law, and is also subject to the prior rights of payment of Holdco Preference Share(s) dividends to the Holdco Preference Shareholders. Holdco Ordinary Shareholders shall be entitled to receive notice of general meetings of Holdco and shall have the right to one vote per Holdco Ordinary Share at such meetings.

The Holdco Preference Shares to be issued pursuant to the Proposal will be issued free from all encumbrances, credited as fully paid up and will rank for any dividends or other distributions declared ahead of the Holdco Ordinary Shares. Each Holdco Preference Shareholder shall be entitled to receive a fixed cumulative yearly compounding preferential dividend at the rate of 12% of the original issue price (as adjusted for any share sub-divisions, share dividends, combinations, recapitalisations or similar transactions) per annum for each Holdco Preference Share held (“**Preference Dividends**”). The right to receive the Preference Dividends has priority over the rights of the holders of any other class of Holdco Shares to receive dividends on such other class of Holdco Shares. The Holdco Preference

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Shares do not offer any downside protection in that there is no capital protection guaranteed in the same way as there is none for Holdco Ordinary Shares. Payment of Preference Dividends is dependent on whether Holdco will have sufficient funds to legally distribute such dividends for such purposes on the annual payment date. There is no guarantee that any dividends will be paid on time in respect of the Holdco Preference Shares.

In addition, the Holdco Preference Shares can be redeemed (a) at the election of Holdco, subject to the consent of all of the Holdco Directors, or (b) automatically prior to a listing of any of the Holdco Group Companies on the Stock Exchange or any other recognised stock exchange as approved by Holdco Board. The Holdco Preference Shares shall not be redeemable at the option of the Holdco Preference Shareholders. The Holdco Preference Shares will be redeemed at an amount equal to the aggregate of (a) the par value of such Holdco Preference Shares, together with any amount credited to the share premium account in respect of such Holdco Preference Shares, and (b) any accrued and unpaid Holdco Preference Share dividends as calculated up to and including the date on which such Holdco Preference Shares are redeemed by Holdco.

Holdco Preference Shareholders shall not be entitled to receive notice of general meetings of Holdco or to attend or vote at such meetings save as required by the Companies Law.

### *1. Transfer Restrictions*

Transfers of Holdco Shares are subject to restrictions stipulated in the Holdco Articles. Save for limited exceptions, no Holdco Shares may be transferred, assigned or disposed of by any Holdco Shareholder from the Completion Date until the earlier of (a) the date on which the Investment Funds cease to directly or indirectly hold 16% or more of the Holdco Ordinary Shares or (b) the date which is five years after the completion of the withdrawal of listing of the Company from the Stock Exchange after the Effective Date.

If a Holdco Shareholder holds both Holdco Ordinary Shares and Holdco Preference Shares, such Holdco Ordinary Shares may only be transferred if (and no transfer will be permitted unless) there is also a transfer of a proportionate number of such Holdco Shareholder's Holdco Preference Shares (and vice versa) so that the ratio of that Holdco Shareholder's Holdco Ordinary Shares to Holdco Preference Shares remains unchanged after the transfer.

Under the Holdco Articles, in the event of a sale (through a single transaction or a series of related transactions) of more than 30% of all issued Holdco Ordinary Shares by Holdco Shareholder(s) to a bona fide third party, the selling Holdco Shareholder(s) shall have the right but not the obligation to require all of the other Holdco Shareholders to transfer to the bona fide third party such portion of their Holdco Ordinary Shares that is equal to the proportion that Holdco Ordinary Shares intended for transfer bear to such selling Holdco Shareholder(s)' aggregate holding of Holdco Ordinary Shares. In the event of a sale (through a single transaction or a series of related transactions) of any Holdco Ordinary Shares by a Holdco Shareholder(s) to a bona fide third party, each of the Holdco Shareholders other than the selling Holdco Shareholder shall have the right but not the obligation to sell such portion of its Holdco Ordinary Shares that is equal to the same proportion as the Holdco Ordinary Shares intended for transfer bear to the selling Holdco Shareholder(s)' aggregate holding of Holdco Ordinary Shares at that time and on terms and conditions no less favourable than those offered by the bona fide third party to the selling Holdco Shareholder(s).

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Further, the Holdco Shares will not be tradable or transferable without the consent of the Holdco Board (which may be withheld in its absolute discretion, subject always to the laws of the Cayman Islands, including but not limited to the duties of the Holdco Directors) and will be shares of an unlisted Cayman Islands incorporated exempted company. The provisions in the Holdco Articles which enable the Holdco Board to withhold its consent in its absolute discretion to the transfer of Holdco Shares are standard for many private companies in the Cayman Islands. The issue and/or transfer of the Holdco Shares will be strictly regulated pursuant to the Holdco Articles and the rights of Scheme Shareholders in Holdco will primarily be governed by the Companies Law and the laws of the Cayman Islands.

### 2. *Change of Control*

If, in one or a series of related transactions, a person who directly or indirectly controls a Holdco Shareholder transfers shares or other interests in a company or entity to a transferee which results in a change of control of such Holdco Shareholder, such Holdco Shareholder shall notify the other Holdco Shareholders at the time and such other Holdco Shareholders may require the transferee to purchase all the Holdco Shares held by the other Holdco Shareholders. If the transferee fails to purchase the Holdco Shares held by the other Holdco Shareholders, the obligation to buy such Holdco Shares shall rest on the Holdco Shareholder which is affected by the change of control.

### 3. *Board Composition and Other Matters*

The number of Holdco Directors shall not be more than nine. Each Holdco Shareholder or group of Holdco Shareholders with a shareholding block of 11% of the Holdco Ordinary Shares in issue is entitled to appoint one Holdco Director and to remove or replace any such appointee. In the event that any such appointing Holdco Shareholder(s) ceases to hold a shareholding block of 11% of the Holdco Ordinary Shares in issue, such appointing Holdco Shareholder(s) shall procure the resignation of the relevant Holdco Director.

Resolutions to be passed at any meeting of the Holdco Board or questions arising at any such meeting shall be determined only by the approval of all of the Holdco Directors less one Holdco Director.

The quorum necessary for the transaction of the business of the Holdco Directors shall be all of the Holdco Directors less one Holdco Director. In the event that a meeting of Holdco Directors duly convened cannot be held for lack of quorum, the meeting shall be adjourned to the same time and day of the following week and at the same place and at least two days' written notice shall be given to the Holdco Directors in relation to such adjourned meeting. The quorum at such adjourned meeting shall be a simple majority of all Holdco Directors.

### 4. *Reserved Matters*

The Holdco Articles set out three categories of voting thresholds for reserved matters, being: (a) matters which require the approval of all Holdco Directors less one Holdco Director, (b) matters which require the approval of no less than 85% Holdco Ordinary Shareholders, and (c) matters which require the approval of all Holdco Directors. To the extent that Holdco is able, Holdco shall procure that its direct and indirect subsidiaries will mirror these voting thresholds.

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Please refer to the section headed “7. Share Capital of Holdco and Capital, Dividends & Voting Rights of Holdco Shares” in “Appendix III – General Information” and “Appendix IV – Summary of Holdco Articles” to this Scheme Document for further information on the Holdco Shares.

### 14. REASONS FOR AND BENEFITS OF THE PROPOSAL

The Holdco Board and the Board (other than members of the Independent Board Committee) are of the view that the terms of the Proposal are attractive to the Shareholders and the Proposal will be beneficial to the Shareholders in a number of ways.

#### **Exit investments with limited liquidity**

The Holdco Board and the Board (other than members of the Independent Board Committee) note that average daily trading volumes have been limited since the Company’s initial public offering in December 2014:

- (a) the average daily trading volume of the Shares during the Undisturbed Period was 1,330,650 Shares per day, which is less than 0.05% of the total number of Shares in issue as at the Latest Practicable Date;
- (b) the average daily trading volume of the Shares between 1 January 2016 and the Undisturbed Date was 1,568,047 Shares per day, which is approximately 0.06% of the total number of Shares in issue as at the Latest Practicable Date; and
- (c) the average trading volume of the Shares for the period of 52 weeks prior to and including the Undisturbed Date was 2,227,050 Shares per day, which is approximately 0.08% of the total number of Shares in issue as at the Latest Practicable Date.

In this regard, the Holdco Board and the Board (other than members of the Independent Board Committee) are of the view that the Proposal provides an opportunity for Shareholders to realise their holdings in a stock with limited liquidity in return for cash.

#### **Unlock value at a premium**

The Shares were historically traded at a discount to the initial public offering price of HK\$3.00 per Share. The closing price of the Shares on the Undisturbed Date of HK\$2.19 per Share represented a 27.0% decrease in value compared to its initial public offering price, compared to the Hang Seng Index which had a 10.3% decrease over the equivalent period. The closing price of the Shares dropped to HK\$2.10 per Share on 17 December 2014 (the date on which the Shares were first traded on the Stock Exchange), and the 52-week historical high closing price was HK\$2.40 per Share prior to and including the Undisturbed Date. The Cancellation Consideration provides a 7.5% premium to the highest ever closing price for the Shares since its initial public offering until and including the Undisturbed Date, which was HK\$2.79 per Share on 22 April 2015.

Given the Cash Alternative under the Proposal of HK\$3.00 per Scheme Share and the premia set out above in the section headed “13. Comparison of Value” above, the Holdco Board and the Board (other than members of the Independent Board Committee) are of the view that the Proposal provides an opportunity for Shareholders to realise their investment and invest such cash in other investment opportunities that they may consider more attractive.

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### Realise gains in current uncertain market conditions

The Proposal provides the Shareholders with an opportunity to realise their investment in the Company for cash during current uncertain market conditions. The Hong Kong stock market has been considerably volatile since 2015, with Hang Seng index down 28.8% from its highest point in 2015 to the Undisturbed Date. Global markets are subject to further potential uncertainties in the face of certain recent political and economic events including Brexit.

### Opportunity to continue to invest in the Company

The Proposal will provide the Shareholders, through the election of the Holdco Shares Alternative, to remain invested in the Company's integrated funeral and bereavement care platform, subject to the risk factors of holding Holdco Shares as specified above in the section headed "2. Terms of the Proposal".

On the basis of the foregoing, the Directors (other than members of the Independent Board Committee) have decided to put forward to the Shareholders for their consideration, and proceed with, the Proposal.

Your attention is drawn to the risk factors of holding Holdco Shares set out in the section headed "2. Terms of the Proposal" in the Explanatory Memorandum of this Scheme Document.

## 15. INFORMATION ON THE COMPANY

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the shares of which have been listed on the Stock Exchange since December 2014. The Group is principally engaged in the business of bereavement care.

Set out below is a summary of the audited consolidated results of the Company for financial years ended 31 December 2015 and 2014, and its unaudited consolidated results for the six months ended 30 June 2016 as extracted from the relevant annual reports and the Company's interim results announcement for the six months ended 30 June 2016, respectively:

	For the year ended 31 December (audited)		For the six months ended 30 June 2016 (unaudited)
	2014	2015	2016
	USD'000	USD'000	USD'000
Revenue .....	165,064	148,576	67,185
Profit before taxation .....	51,363	98,784	14,480
Profit for the year/period .....	37,832	87,352	8,715
Profit for the year/period attributable to owners of the Company .....	35,764	86,837	8,306
Earnings per Share:			
—Basic (US cents per Share) .....	1.74	3.22	0.31
—Diluted (US cents per Share) .....	1.74	3.20	0.31

The unaudited consolidated net assets of the Company attributable to owners of the Company as at 30 June 2016 were approximately US\$325.31 million (equivalent to approximately HK\$2,521.14 million, translated at the rate of HK\$7.75 to US\$1.00 or approximately HK\$0.93 per Share (based on 2,699,301,830 Shares in issue as at the Latest Practicable Date)). The audited consolidated net assets of the Company attributable to owners of the Company as at 31 December 2015 and 2014 were

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approximately US\$315.67 million and US\$318.74 million, respectively (equivalent to approximately HK\$2,446.43 million and HK\$2,470.20 million, respectively, translated at the rate of HK\$7.75 to US\$1.00 and approximately HK\$0.91 per Share and HK\$0.92 per Share respectively (based on 2,699,301,830 Shares in issue as at the Latest Practicable Date)).

### 16. INFORMATION ON BIDCO, HOLDCO AND EQUITYCO

Holdco and Equityco are exempted companies each incorporated in the Cayman Islands with limited liability on 17 June 2016. Bidco is a company incorporated in Malaysia on 24 June 2016. The principal business of each of the Offeror Group Companies is investment holding and to date, none of Offeror Group Companies has conducted any business other than in relation to the transactions described in the Announcement. Bidco is an indirect wholly-owned subsidiary of Holdco, which in turn is a direct wholly-owned subsidiary of Equityco. Each of Offeror Group Companies is ultimately owned by the Investment Funds of which CVC is an investment sub-advisor.

CVC is a leading private equity and investment advisory firm. Founded in 1981, CVC today has a network of 24 offices and approximately 340 employees throughout Europe, Asia and the U.S.. To date, CVC has secured commitments of more than US\$65 billion from some of the world's leading institutional investors across its European and Asian private equity, strategic opportunities and growth funds. In total, CVC currently manages over US\$33 billion of assets. Today, funds managed or advised by CVC are invested in 51 companies worldwide, employing approximately 330,000 people in numerous countries. Together, these companies have combined annual sales of over US\$90 billion.

The Investment Funds are widely held among a large number of investors, including pension funds, financial institutions and various other partners. Each of the Offeror Group Companies is an independent third party and is not connected with and is not a person acting in concert with the Company or its subsidiaries or any connected persons of the Company (other than members of the Founder's Group).

As at the Latest Practicable Date, the Holdco Board comprises Mr. Edward M. Fletcher, Mr. Stephen Anthony Rae McGrath and Mr. Marc George Ledingham Rachman.

Mr. Edward M. Fletcher is the Managing Director of Mourant Ozannes Corporate Services. He has had 19 years of financial services experience, having worked previously at Arthur Andersen and Deutsche Bank. Mr. Fletcher sits on the board of numerous regulated and unregulated companies specialising in private equity and real estate.

Mr. Stephen Anthony Rae McGrath is the Director of Mourant Ozannes Corporate Services (Jersey) Limited. Prior to joining Mourant Ozannes, Mr. McGrath worked for eight years within the corporate/commercial departments of two major law firms before moving on to the role of a transaction manager at a major investment bank in Jersey.

Mr. Marc George Ledingham Rachman is a Managing Director at CVC Capital Partners. Mr. Rachman is member of the Institute of Chartered Accountants in England and Wales and holds an M.Sc. in Agricultural Extension from the University of Reading and a B.Sc. in Agriculture with Honours in Animal Science from the University of Aberdeen. Mr. Rachman joined CVC in 2005 and had previously worked at Royal London Private Equity, PPM Ventures, the Commonwealth Development Corporation and Shell UK both in the United Kingdom and overseas in a number of



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investment management and financial control positions. Mr. Rachman is a director of several portfolio holding companies and of the general partners of CVC's Asia focussed private equity funds.

Under the Holdco Articles, each Holdco Shareholder or group of Holdco Shareholders is entitled to appoint one Holdco Director and to remove or replace any such appointee for each block of Holdco Ordinary Shares representing 11% of Holdco Ordinary Shares in issue. In the event that any such appointing Holdco Shareholder(s) ceases to hold a shareholding block of 11% of the Holdco Ordinary Shares in issue, such appointing Holdco Shareholder(s) shall procure the resignation of the relevant Holdco Director. The number of Holdco Directors shall not be more than nine.

Please refer to the section headed "7. Share Capital of Holdco and Capital, Dividends & Voting Rights of Holdco Shares" in Appendix III—General Information and "Appendix IV—Summary of Holdco Articles" to this Scheme Document for further information on the Holdco Shares.

### 17. FURTHER INFORMATION ON HOLDCO

The registered office of Holdco is at 94 Solaris Avenue, Camana Bay, P.O. Box 1348, Grand Cayman KY1-1108, Cayman Islands.

On 7 July 2016, the sole shareholder of Holdco passed a resolution to authorise the increase of the authorised share capital of Holdco from US\$50,000 (divided into 5,000,000 Holdco Ordinary Shares) to US\$100,000,000.00 (divided into 200,000,000 Holdco Ordinary Shares and 9,800,000,000 Holdco Preference Shares).

As at the Latest Practicable Date, the authorised and issued share capital of Holdco are as follows:

<u>Authorised</u>	<u>US\$</u>
200,000,000 Holdco Ordinary Shares of a par value of US\$0.01 each . . . . .	2,000,000.00
9,800,000,000 Holdco Preference Shares of a par value of US\$0.01 each . . . . .	98,000,000.00
Total . . . . .	<u>100,000,000.00</u>
<b>Issued and fully paid</b>	
1 Holdco Ordinary Share of a par value of US\$0.01 . . . . .	0.01
Total . . . . .	<u>0.01</u>

Since 17 June 2016 (being the date of incorporation of Holdco) and up to and including the Latest Practicable Date:

- (a) Holdco has in issue one Holdco Ordinary Share and has not repurchased the Holdco Ordinary Share;
- (b) save as disclosed above, Holdco has not undergone any re-organisation of capital; and
- (c) save as disclosed in the section headed "12. Material Contracts" in "Appendix III—General Information" to this Scheme Document, Holdco has not entered into any material contracts, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by Holdco or any of its subsidiaries.

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As at the Latest Practicable Date:

- (a) there were no options, warrants or conversion rights affecting any Holdco Shares;
- (b) neither Holdco nor any of its subsidiaries had any bank overdrafts or loans, or other similar indebtedness, mortgages, charges or guarantees or other material contingent liabilities, other than the facilities entered into for the purposes of the Proposal and any security and guarantees granted in relation to such facilities; and
- (c) Holdco was not engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Holdco Directors to be pending or threatened by or against Holdco.

### 18. HOLDCO'S INTENTION REGARDING THE COMPANY

Following implementation of the Proposal, Holdco intends that the Group will continue to carry on its current business of integrated funeral and bereavement care services.

Holdco has no plans, in the event the Scheme becomes effective, to (a) make any major changes to the business of the Company including the redeployment of the assets of the Group; or (b) discontinue the employment of the employees of the Group.

The Offeror Group Companies believe that the Group has good market potential in the funeral and bereavement care services industry over the long term and that the Offeror Group Companies, together with the Founder, will bring their collective knowledge and experience of the industry to facilitate the implementation of effective long term strategies to create value for the business of the Group under private ownership.

Holdco intends to hold its shares in the Company following the Effective Date for at least three years.

### 19. MANAGEMENT INCENTIVE PLAN

Upon the Scheme becoming effective, Holdco intends to adopt the MIP for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. The proposed eligible participants ("**MIP Participants**") are currently envisaged to be nine (9) key members of the management team in the Group, all of whom are the Shareholder MIP Participants and hold in aggregate 0.004% of the Company's issued share capital as at the Latest Practicable Date. As the MIP Participants have extensive operational expertise and an in-depth understanding of the Group's business and industry, it is important for the MIP Participants to have an indirect stake in the Company (through the MIP Participants' stake in Holdco, which will be an indirect holding company of the Company upon the Scheme becoming effective) so that they will be incentivised to continue to contribute to the development of the Group.

#### Terms of the MIP

It is proposed that under the MIP, the MIP Participants would be given the opportunity to acquire Holdco Ordinary Shares and Holdco Preference Shares (the "**MIP Holdco Shares**"). The aggregate value of Holdco Ordinary Shares to be granted under the MIP is US\$50,000, and the aggregate value of Holdco Preference Shares to be granted under the MIP is US\$4,950,000.

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Assuming all Scheme Shareholders other than the Committed Holdco Shares Alternative Shareholders elect the Cash Alternative and none of the Optionholders exercise any of their Options:

- (a) the total number of Holdco Ordinary Shares to be granted under the MIP would constitute no more than 5.0% of the total issued Holdco Ordinary Shares;
- (b) the total number of Holdco Preference Shares to be granted under the MIP would constitute no more than 0.8% of the total issued Holdco Preference Shares; and
- (c) the total number of MIP Holdco Shares would amount to no more than 0.8% of the total issued share capital of Holdco.

Each MIP Participant who elects to acquire MIP Holdco Shares will be required to pay a consideration price (“**MIP Consideration**”) for his/her entitlement to the MIP Holdco Shares under the MIP. The MIP Consideration will be at or around the top end value of the Holdco Preference Shares or Holdco Ordinary Shares (as the case may be) as estimated by J. P. Morgan, as set out in “Appendix V—Estimates of Value of Holdco Shares” to this Scheme Document.

The MIP Holdco Shares will be subject to the same rights and obligations, including transfer restrictions, as other Holdco Shares of the same class as set out in the Holdco Articles. Please refer to the section headed “7. Share Capital of Holdco and Capital, Dividends & Voting Rights of Holdco Shares” in “Appendix III—General Information” and “Appendix IV—Summary of Holdco Articles” to this Scheme Document for further information on the Holdco Shares.

The MIP will not be adopted if the Proposal is not approved or lapses.

### Approval of the MIP

As the MIP is available only to the MIP Participants, all of whom are Shareholders, and is not offered to all Scheme Shareholders, the MIP constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive under Note 3 to Rule 25 of the Takeovers Code. Holdco has therefore made an application to the Executive for its consent to the MIP as a special deal under Rule 25 of the Takeovers Code, conditional on (i) the Independent Financial Advisor publicly stating that in its opinion that the proposed terms of the MIP are fair and reasonable; and (ii) the passing of an ordinary resolution of the Shareholders at the EGM of the Company to approve the terms of the MIP, provided that only the votes of independent Shareholders who are not interested in or involved in the MIP (Shareholder MIP Participants being interested) are taken into account in relation to such resolution and further provided that the votes of Shareholders who are not Disinterested Scheme Shareholders that are voted either in person or by proxy at the EGM in relation to the MIP will not be taken into account.

## 20. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

This Scheme Document has been prepared for the purpose of complying with the applicable laws, rules and regulations of the Cayman Islands and Hong Kong, and the information disclosed herein may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of any other jurisdiction.

This Scheme Document does not constitute an offer or invitation to sell, purchase, subscribe for or issue any securities or the solicitation of an offer to buy or subscribe for securities pursuant to the document or otherwise in any jurisdiction in which such offer, invitation or solicitation is unlawful.

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The distribution of this Scheme Document, and the making of the Proposal and the Rule 13 Offer to and acceptance of the Proposal and the Rule 13 Offer by persons not resident in Hong Kong may be subject to the laws of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Shareholders and any overseas Optionholders wishing to accept the Proposal (including the election of the Cash Alternative or the Holdco Shares Alternative) and the Rule 13 Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any acceptance by such overseas Shareholders and overseas Optionholders will be deemed to constitute a representation and warranty from such persons to the Company and the Offeror Group Companies that those local laws and requirements have been complied with. If you are in doubt as to your position, you should consult your own professional advisors.

### **21. SHARE CERTIFICATES, DEALINGS AND LISTING**

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished (with the New Shares being issued to Bidco) and the share certificates for the Scheme Shares will thereafter cease to have effect as document or evidence of title, and the register of members of the Company will be updated to reflect the same. The Company will apply for the withdrawal of listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules. Dealings in the Shares on the Stock Exchange are expected to cease after 4:00 p.m. on Thursday, 29 September 2016, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Friday, 7 October 2016. Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. The Scheme will lapse if it does not become effective on or before the Long Stop Date, and Shareholders will be notified by way of an announcement accordingly.

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or lapses.

### **22. REGISTRATION AND PAYMENT**

In order to determine entitlements of Shareholders to attend the Court Meeting and the EGM, it is proposed that the register of members of the Company will be closed from 26 September 2016 to 28 September 2016 (both days inclusive), or such other date as may be notified to Shareholders by announcement. Shareholders, the transferees of Shares or their successors in title should ensure that their Shares are registered or lodged for registration in their names or in the name(s) of their nominees at or with Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 23 September 2016.

In order to determine entitlements under the Scheme, Shareholders, the transferees of Shares or their successors in title should ensure that their Shares are registered or lodged for registration in their names or in the name(s) of their nominees at or with Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 4 October 2016.

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### **Payment of Cancellation Consideration to Scheme Shareholders and despatch of Holdco Share certificates**

Upon the Scheme becoming effective, payment of the Cancellation Consideration for the Scheme Shares will be made to the Scheme Shareholders within seven Business Days following the Effective Date. On the basis that the Scheme becomes effective on or about 5 October 2016 (Cayman Islands time), (a) cheques for cash entitlements to those who elect the Cash Alternative, and (b) cheques for cash entitlements and share certificates for Holdco Shares to those who elect the Holdco Shares Alternative, are expected to be dispatched on or before 17 October 2016.

In the absence of any specific instructions to the contrary received in writing by Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, cheques and share certificates for Holdco Shares will be sent by ordinary post in pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding. All such cheques and share certificates will be sent at the risk of the person(s) entitled thereto and none of the Investment Funds, the Offeror Group, the Company, J.P. Morgan, UBS or any of them will be responsible for any loss or delay in despatch.

Beneficial Owners should note if you hold Shares through a nominee (including but not limited to HKSCC Nominees Limited) and elect to receive the Holdco Shares Alternative, the Holdco Shares to be issued to you as Cancellation Consideration will be issued in the name of the Registered Owner for subsequent transfer to you. As Holdco Shares will not become eligible securities in CCASS, you are required to instruct your securities dealer/custodian bank to withdraw the Holdco Shares from CCASS and arrange for the transfer of those shares into your own name, or some other nominee on your behalf, as soon as possible thereafter. Shareholders will be notified by way of an announcement with details of the transfer agent to be appointed by Holdco and the procedures for the initial transfer of Holdco Shares by a nominee (including but not limited to HKSCC Nominees Limited) to its Beneficial Owner who has elected to receive the Holdco Shares Alternative. The fees to be incurred in respect of the initial cancellation and issue of the certificate for the Holdco Shares which are payable to the transfer agent in connection with such initial transfer of Holdco Shares shall be borne by Holdco (or any of its subsidiaries).

Shareholders are recommended to consult their professional advisors if they are in doubt as to the above procedures.

On or after the day being six calendar months after the posting of such cheques, Holdco shall have the right to cause the cancellation of any cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in name of Holdco (or any of its subsidiaries) with a licensed bank in Hong Kong selected by Holdco.

Holdco shall hold such monies on trust for those entitled under the terms of the Scheme until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums, together with interest thereon, to persons who satisfy Holdco that they are respectively entitled thereto, provided that such cheques referred to in the paragraph above of which they are payees have not been cashed. On the expiry of six years from the Effective Date, Holdco shall be released from any further obligation to make any payments under the Scheme and shall be absolutely entitled to

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## EXPLANATORY MEMORANDUM

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the balance (if any) of the sums then standing to the credit of the deposit account in its name (or the name of any of its subsidiaries), including accrued interest subject, if applicable, to the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses incurred.

Assuming that the Scheme becomes effective, all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on or about 5 October 2016 (Cayman Islands time).

Any certificates of Holdco Shares posted to the Scheme Shareholders pursuant to the Scheme which have been returned or undelivered will be cancelled. The share registrar of Holdco may at any time thereafter issue new share certificates in respect of such Holdco Shares to those Scheme Shareholders who can establish their entitlements to its satisfaction and transfer to them all accrued entitlements from the original date of allotment or transfer, as the case may be, in respect of such Holdco Shares, subject to the payment of any expenses incurred.

Settlement of the Cancellation Consideration to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which Holdco may otherwise be, or claim to be, entitled against any such Scheme Shareholder.

### **Payment of the Option Amount to Optionholders**

On the basis that the Scheme becomes effective and the ESR Scheme and SASR Scheme are terminated on or about 5 October 2016 (Cayman Islands time), cheques for payment of the Option Amount payable under the Rule 13 Offer are expected to be dispatched on or before 17 October 2016. Cheques will be sent by posting the same by ordinary post in pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Investment Funds, Offeror Group, the Company, J.P. Morgan, UBS or any of them will be responsible for any loss or delay in dispatch.

On or after the day being six calendar months after the posting of such cheques, Holdco shall have the right to cause the cancellation of any cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in name of Holdco (or any of its subsidiaries) with a licensed bank in Hong Kong selected by Holdco.

Holdco shall hold such monies on trust for those entitled under the terms of the Rule 13 Offer until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums, together with interest thereon, to persons who satisfy Holdco that they are respectively entitled thereto, provided that such cheques referred to in the paragraph above of which they are payees have not been cashed. On the expiry of six years from the Effective Date, Holdco shall be released from any further obligation to make any payments under the Rule 13 Offer and shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name (or the name of any of its subsidiaries), including accrued interest subject, if applicable, to the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses incurred.



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Settlement of the consideration to which the Optionholders are entitled under the Rule 13 Offer will be implemented in full in accordance with the terms of the Rule 13 Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which Holdco may otherwise be, or claim to be, entitled against any such Optionholders.

### **23. IF THE SCHEME IS NOT APPROVED OR LAPSES**

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the Company has no intention to seek the immediate withdrawal of the listing of the Shares on the Stock Exchange.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither Holdco nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

### **24. TAXATION**

#### **Hong Kong stamp duty and tax consequences**

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

Similarly, as the Rule 13 Offer and the payment of the cash consideration for the cancellation of the Options does not involve the sale and purchase of Hong Kong stock, no Hong Kong stamp duty will be payable pursuant to the Stamp Duty Ordinance under the Rule 13 Offer or the payment of the Option Amount under the Rule 13 Offer.

Scheme Shareholders and Optionholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of the Scheme, the Proposal or the Rule 13 Offer and, in particular, whether the receipt of the Cancellation Consideration or of the Option Amount under the Rule 13 Offer would make such Scheme Shareholder or Optionholder liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Investment Funds, Offeror Group Companies, the Company, J.P. Morgan, UBS, Somerley or any of their respective directors, officers or associates or any other person involved in the Scheme, the Proposal or the Rule 13 Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Scheme or the Rule 13 Offer.

### **25. COURT MEETING AND EGM**

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification(s)). Shareholders whose names appear on the register of members of the Company as at

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the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting. The Scheme will be subject to the approval by the Shareholders at the Court Meeting in the manner referred to in the section headed “5. Conditions of the Proposal” and the section headed “9. Additional Requirements Imposed by Rule 2.10 of the Takeovers Code” in this Explanatory Memorandum on pages 69-71 and page 78 respectively of this Scheme Document.

For the avoidance of doubt, the Shareholders who may vote at the Court Meeting include any member of the J.P. Morgan group acting in its capacity as a Registered Owner of the Shares held on behalf of a Beneficial Owner in respect of those Shares only where the Beneficial Owner (a) controls the voting rights attaching to those Shares; and (b) if the Shares are voted, gives instructions as to how those Shares are to be voted.

The EGM will be held after the conclusion or adjournment of the Court Meeting for the purpose of considering and if thought fit passing (a) the special resolution to, among other things, approve the Reduction by cancelling all the Scheme Shares; (b) the ordinary resolution to simultaneously restore the issued share capital of the Company to the amount prior to the Reduction and apply the reserve created as a result of the Reduction to pay up in full at par the New Shares to be issued to Bidco; (c) the ordinary resolution to terminate the ESR Scheme and SASR Scheme on the Effective Date, subject to the Scheme becoming effective; and (d) the ordinary resolution to approve the terms of the MIP, subject to the Scheme becoming effective.

### **Court Meeting**

Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the Court Meeting. At the Court Meeting, the Shareholders, present and voting either in person or by proxy, will be entitled to vote all of their respective Shares in favour of the Scheme or against it.

The Scheme is conditional upon, among other things, approval by a majority in number of Scheme Shareholders representing not less than 75% in value of the Scheme Shares present and voting in person or by proxy at the Court Meeting. In addition (a) the Scheme is to be approved (by way of poll) by at least 75% of the votes attaching to the Disinterested Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and (b) the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is to be not more than 10% of the votes attaching to all Disinterested Scheme Shares held by all the Disinterested Scheme Shareholders.

As at the Latest Practicable Date, the Disinterested Scheme Shareholders held in aggregate 1,546,845,267 Shares. On that basis, and assuming none of the Options are exercised, 10% of the votes attached to the Disinterested Scheme Shares held by all the Disinterested Scheme Shareholders represent approximately 154,684,527 Shares as at the Latest Practicable Date.

In accordance with the Companies Law, the “75% in value” requirement, as described above, will be met if the total value of Shares being voted in favour of the Scheme is at least 75% of the total value of the Shares voted at the Court Meeting. In accordance with the Companies Law, the “majority in number” requirement, as described above, will be met if the number of Shareholders voting in

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favour of the Scheme exceeds the number of Shareholders voting against the Scheme. For the purpose of calculating the “majority in number” requirement, the number of Shareholders, present and voting in person or by proxy, will be counted.

Notice of the Court Meeting is set out in Appendix VII to this Scheme Document. A **pink** form of proxy for the Court Meeting is enclosed with this Scheme Document. The Court Meeting will be held at 9:00 a.m. (Hong Kong time) on 28 September 2016 at Park Lane Room 2-4, 27/F, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong.

### EGM

All Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the EGM with respect to (a) the special resolution to, among other things, approve the Reduction by cancelling all the Scheme Shares; (b) the ordinary resolution to simultaneously restore the issued share capital of the Company to the amount prior to the Reduction and apply the reserve created as a result of the Reduction to pay up in full at par the New Shares to be issued to Bidco; (c) the ordinary resolution to terminate the ESR Scheme and SASR Scheme on the Effective Date, subject to the Scheme becoming effective; and (d) the ordinary resolution to approve the terms of the MIP, subject to the Scheme becoming effective.

The special resolution described under (a) in the paragraph above will be passed if not less than three-fourths of the votes cast by the Shareholders in person or by proxy at the EGM are in favour of the special resolution. Each of the ordinary resolutions described under (b), (c) and (d) in the paragraph above will be passed if more votes are cast in favour of such ordinary resolution than against it by the Shareholders voting in person or by proxy at the EGM. In respect of the ordinary resolution described under (d) above, only the votes of independent Shareholders who are not interested in or involved in the MIP (Shareholder MIP Participants being interested) are taken into account and further provided that the votes of Shareholders who are not Disinterested Scheme Shareholders that are voted either in person or by proxy at the EGM in relation to the MIP will not be taken into account.

At the EGM, a poll will be taken and each Shareholder voting, either in person or by proxy, will be entitled to vote all of his/her/its Shares in favour of (or against) the resolutions. Alternatively, such Shareholder may vote some of their Shares in favour of the resolutions and any or all of the balance of their Shares against the resolutions (and vice versa).

Each of the Committed Shareholders has indicated that those Committed Shares held by each of them will be voted in favour of the resolutions to be proposed at the EGM.

Notice of the EGM is set out in Appendix VIII to this Scheme Document. A **white** form of proxy for the EGM is enclosed with this Scheme Document. The EGM will be held at 9:30 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Court Meeting convened for the same day and place) on 28 September 2016 at Park Lane Room 2-4, 27/F, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or about 5 October 2016 (Cayman Islands time). Further announcements will be made including, in particular, in relation to (a) the results of the Court

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Meeting and the EGM and, whether all the resolutions are passed at those meetings; (b) the result of the Court Hearing; (c) the Record Date; (d) the Effective Date; and (e) the date of withdrawal of the listing of the Shares on the Stock Exchange as further set out in the section headed “Expected Timetable” of this Scheme Document.

If the Scheme becomes effective under the Companies Law, it will be binding on the Company and all Scheme Shareholders irrespective of whether they attended or voted, and if they voted, whether they voted for or against the Scheme at the Court Meeting.

### **26. BENEFICIAL OWNERS**

Beneficial Owners are urged to have their names entered in the register of members of the Company as soon as possible for, among other things, the following reasons:

- (a) to enable Beneficial Owners to become Shareholders so that they can attend the Court Meeting in their capacity as members of the Company or to be represented by proxies to be appointed by them;
- (b) to enable the Company to properly classify members of the Company for the purposes of Section 86 of the Companies Law; and
- (c) to enable the Company and Holdco to make arrangements to effect (a) payments by way of the delivery of cheques to the Scheme Shareholders who will receive the Cash Alternative and (b) payments by way of the delivery of cheques and the delivery of documents of title in respect of Holdco Shares to Scheme Shareholders who elect the Holdco Shares Alternative. All deliveries of cheques required for making payment in respect of the Scheme Shares as aforesaid shall be effected by duly posting the same in pre-paid envelopes addressed to the persons respectively entitled thereto at their respective addresses as appearing in the register of members of the Company at the Record Time.

No person shall be recognised by the Company as holding any Shares upon any trust. In the case of any Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), such Beneficial Owner should contact such Registered Owner and provide him, her or it with instructions or make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting and/or the EGM. Such instructions and/or arrangements should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM, then any such Beneficial Owner should comply with the requirements of such Registered Owner.

Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an Investor Participant, contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, other CCASS participants regarding voting instructions to be given to such persons if they wish to vote in respect of the Scheme. Beneficial

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Owners should contact their broker, custodian, nominee or other relevant person in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC with instructions or make arrangements with HKSCC in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. The procedure for voting in respect of the Scheme by HKSCC Nominees Limited with respect to the Shares shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

### 27. ACTION TO BE TAKEN

#### Shareholders

##### *Court Meeting and EGM*

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with this Scheme Document.

**Whether or not you are able to attend the Court Meeting and/or the EGM, Shareholders are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and the enclosed white form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them with Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong. The pink form of proxy in respect of the Court Meeting may alternatively be handed to the chairman of the Court Meeting at the Court Meeting.**

In order to be valid, the **pink** form of proxy for use at the Court Meeting should be lodged not later than 9:00 a.m. on 26 September 2016 or handed to the chairman of the Court Meeting at the Court Meeting and the **white** form of proxy for use at the EGM should be lodged not later than 9:30 a.m. on 26 September 2016. The completion and return of a form of proxy for the Court Meeting or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

In the case of any Beneficial Owner whose Shares are held by a Registered Owner (including a nominee, trustee, depositary or authorised custodian or third party), such Beneficial Owner should contact the Registered Owner and provide instructions as to the manner in which Shares of the Beneficial Owner should be voted at the Court Meeting and/or EGM. Such instructions, subject to the express requirements of the Registered Owner, should be given in advance of the relevant latest time for the lodgement of proxies in respect of the Court Meeting and EGM.

If any Shareholder does not appoint a proxy and that Shareholder does not attend and vote at the Court Meeting and/or EGM, that Shareholder will still be bound by the outcome of such Court Meeting and/or EGM if, among other things, the resolutions are passed by the requisite majorities at the Court Meeting and the EGM. Shareholders are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

For the purpose of determining the entitlements of Shareholders to attend and vote at the Court Meeting and the EGM, the register of members of the Company will be closed from 26 September



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2016 to 28 September 2016 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to attend and vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 23 September 2016.

Further announcements will be made by the Company and Holdco in relation to (a) the results of the Court Meeting and the EGM and whether the Scheme and the Reduction and the simultaneous restoration of share capital of the Company are approved by the requisite majorities at the Court Meeting and the EGM, respectively, (b) the result of the Court Hearing, (c) the Record Date, (d) the Effective Date and (e) the date of withdrawal of the listing of the Shares on the Hong Kong Stock Exchange.

### *Election form*

An election of the Holdco Shares Alternative may be made by the Scheme Shareholders in connection with their respective shareholdings in the Company, and Scheme Shareholders shall make such election by properly completing and signing the Election Form in accordance with the instructions appearing thereon (and, in the case of joint holders, signed by all the joint holders to which it relates, and in the case of a holder or a joint holder which is a body corporate, signed on its behalf by one of its directors or a duly authorised signatory) in respect of their entire holdings of Scheme Shares (save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners) registered under their names at the Record Time, and deliver the duly completed and executed Election Form to Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 5 October 2016 or such later date and time as may be notified through announcement. No such election shall be valid (and therefore the relevant Scheme Shareholder will receive the Cash Alternative) unless the Election Form is properly completed in all respects.

**For the avoidance of doubt, the Election Form is not for use (as a form of proxy or otherwise) at the Court Meeting and the EGM, which are for the purpose of considering and, if thought fit, approving, among other things, the Scheme and Reduction respectively. The Election Form is for Scheme Shareholders to elect the Holdco Shares Alternative should they wish to do so. This election may be made at any time up to the Election Time (or such later date and time as may be notified through announcement). The election is subject to the Scheme being sanctioned and becoming effective.**

No acknowledgement of receipt of any Election Form will be given. An Election Form so completed and delivered shall not be capable of amendment. An Election Form shall be irrevocable and incapable of being withdrawn unless the Company expressly consents in writing to such withdrawal or revocation. The Company shall have the right to reject any or all of the Election Forms that it determines are invalid or in improper form (and therefore the relevant Scheme Shareholder will receive the Cash Alternative). In addition, the Company shall also have the right to treat any Election Form that has not been completed in accordance with the instructions thereon, or has otherwise been completed incorrectly, as being valid, provided that the Company in its absolute discretion considers the omissions or errors to be immaterial. The Company shall not be obliged to give notice of any such defects or irregularities and will not incur any liability for failure to give any such notice.



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**Any Scheme Shareholder (a) who has not returned an Election Form as described above before the prescribed time or such later date and time as may be notified through announcement or, (b) who has returned an Election Form which is not duly completed or executed nor valid in accordance with the terms of the Scheme, will receive the Cash Alternative.**

If you have sold or transferred all or part of your Shares, you should at once hand this Scheme Document and the accompanying forms of proxy and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. Copies of the Election Form can also be obtained from Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

Any Shareholder who holds Scheme Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner. Any Beneficial Owner should make arrangements with his, her or its nominee, trustee or Registered Owner in relation to the Scheme and the election of the Cash Alternative or Holdco Shares Alternative, and may consider whether he/she/it wishes to arrange for the registration of the relevant Scheme Shares in the name of the Beneficial Owner prior to the Record Time.

### **The Court Hearing**

Prior to the despatch of this Scheme Document, the Company obtained directions from the Grand Court for the convening of the Court Meeting to consider the Scheme and other procedural matters regarding the Scheme. In accordance with Sections 14, 15 and 86 of the Companies Law, if the resolutions are approved at the Court Meeting and the EGM, the Company must then make a further application to the Grand Court to confirm the Reduction and to sanction the Scheme. The Company and Holdco cannot complete the Scheme and the Proposal without obtaining these approvals. In this regard, the Company has filed a petition with the Grand Court seeking these approvals which will be heard on 30 September 2016 (Cayman Islands time).

In determining whether to exercise its discretion and sanction the Scheme, the Grand Court will determine, among other things, whether the votes cast at the Court Meeting fairly represented the decision of the Scheme Shareholders. If the Grand Court sanctions the Scheme and if all of the other Conditions to the Scheme are satisfied or (to the extent allowed by law) waived, the Company intends to file the Court Order sanctioning the Scheme with the Registrar of Companies on 5 October 2016 (Cayman Islands time) or as otherwise directed by the Grand Court, at which time the order sanctioning the Scheme will become effective.

**SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNER OF SHARES THAT GIVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE THAT SUBSEQUENTLY VOTES AT THE COURT MEETING) SHOULD NOTE THAT THEY ARE ENTITLED TO APPEAR BY PERSON OR BY COUNSEL AT THE COURT HEARING ON 30 SEPTEMBER 2016 (DATE IN THE CAYMAN ISLANDS) AT WHICH THE COMPANY WILL SEEK THE SANCTION OF THE SCHEME.**

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### Optionholders

The Rule 13 Offer Letter is being sent to each Optionholder separately. Optionholders should refer to those letters, the form of which is set out in Appendix IX to this Scheme Document and note the instructions and terms and conditions of the Rule 13 Offer printed on the Rule 13 Offer Letter.

### 28. COSTS OF THE SCHEME

Pursuant to the Implementation Agreement, Holdco and the Company have agreed that all costs relating to the preparation of the Announcement, the Scheme Document and the Implementation Agreement shall be for the account of Holdco, all costs of the Independent Financial Advisor to the Company shall be for the account of the Company, and all costs relating to any rulings sought and any vetting fees payable to the Executive for the clearance of the Scheme Document shall be for the account of Holdco.

### 29. GENERAL

Holdco has appointed J.P. Morgan as its financial advisor in connection with the Proposal, and the Company has appointed UBS as its financial advisor in connection with the Proposal.

Tan Sri Kong Hon Kong, being a Director and who is interested in the Scheme and the Proposal abstained from voting in respect of the board resolutions of the Company pursuant to the meeting held on 6 July 2016 in relation to the Scheme, the Proposal and the Rule 13 Offer.

The non-executive Directors (other than Mr. Gabriel Li) and independent non-executive Directors of the Company forming the Independent Board Committee, namely Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan, Mr. Ang Teck Shang, Mr. Tse Po Shing Andy, Tan Sri Chan Kong Choy, Mr. Ng Soon Lai @ Ng Siek Chuan, Mr. Foong Soo Hah and Ms. Anita Chew Cheng Im, have provided their recommendation in the Letter from the Independent Board Committee in pages 36 to 37 of this Scheme Document.

Save for the Proposal, the Scheme, the Rule 13 Offer, the Implementation Agreement and the Righttitan Irrevocable Undertaking, there are no arrangements (whether by way of option, indemnity or otherwise) relating to relevant securities which may be an inducement to deal or refrain from dealing as described in Note 8 to Rule 22 of the Takeovers Code between Holdco or Holdco Concert Parties and any other person in relation to Holdco Shares or the Shares which might be material to the Proposal.

As at the Latest Practicable Date, there were no agreements or arrangements to which Holdco is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.

As at the Latest Practicable Date, each of Righttitan, AIF and Orchid did not hold any Holdco Shares or convertible securities, warrants, options or derivatives in respect of the Holdco Shares.

As at the Latest Practicable Date, save as disclosed in "Appendix III—General Information" to this Scheme Document, there were no Shares, Holdco Shares, or convertible securities, warrants, options or derivatives in respect of the Shares or Holdco Shares which Holdco or any Holdco Concert Parties have borrowed or lent, save for borrowed securities (if any) which have been either on-lent or sold.

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Associates of the Company or Holdco (as defined in the Takeovers Code, including shareholders holding 5% or more of the relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of the Company or Holdco) are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code.

### **30. RECOMMENDATION**

Your attention is drawn to the following:

- (a) section headed “15. Recommendation” in the “Letter from the Board” set out on page 34 of this Scheme Document;
- (b) the letter from the Independent Board Committee set out on pages 36 to 37 of this Scheme Document; and
- (c) the letter from Somerley, the Independent Financial Advisor to the Independent Board Committee set out on pages 38 to 63 of this Scheme Document.

### **31. FURTHER INFORMATION**

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Memorandum.

Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Investment Funds, the Offeror Group, J.P. Morgan or UBS or any of their respective affiliates has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

## 1. FINANCIAL SUMMARY

The following summary financial information for each of the three financial years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016 is extracted from the audited consolidated financial statements of the Group as set forth in the annual reports of the Company for the years ended 31 December 2014 and 2015 and the unaudited consolidated results as set forth in the Company's interim results announcement dated 22 August 2016, respectively.

The auditor's reports issued by Deloitte in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2013, 2014 and 2015 did not contain any qualifications.

There are no exceptional items because of size, nature or incidence that are required to be disclosed in the financial statements of the Group for each of the three years ended 31 December 2013, 2014 and 2015.

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December (audited)			For the six months ended 30 June 2016 (unaudited)
	2013	2014	2015	2016
	USD'000	USD'000	USD'000	USD'000
<b>Revenue</b> .....	139,715	165,064	148,576	67,185
Cost of sales and services .....	(42,538)	(48,639)	(36,140)	(17,843)
<b>Gross profit</b> .....	97,177	116,425	112,436	49,342
Other income .....	6,222	9,523	11,264	4,981
Other gains and losses .....	2,601	1,149	40,904	(9,946)
Selling and distribution expenses .....	(30,480)	(37,474)	(34,947)	(14,449)
Administrative expenses .....	(22,069)	(30,442)	(28,800)	(14,586)
Finance costs .....	(2,968)	(2,531)	(2,073)	(862)
Other expenses .....	—	(5,287)	—	—
Share of loss of an associate .....	(1)	—	—	—
<b>Profit before taxation</b> .....	50,482	51,363	98,784	14,480
Income tax expense .....	(12,693)	(13,531)	(11,432)	(5,765)
<b>Profit for the year/period</b> .....	37,789	37,832	87,352	8,715
Other comprehensive (expense)/income				
<i>Items that will not be reclassified to profit or loss:</i>				
Exchange differences arising on translation to presentation				
currency .....	(3,368)	(5,928)	(65,061)	21,001
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations ..	(793)	1,185	2,319	(1,309)
Fair value (loss)/gain on available-for-sale investments .....	1,313	(1,050)	2,006	(924)
Cumulative gain/(loss) reclassified from equity to profit or loss on				
disposal of available-for-sale investments .....	(925)	806	(1,127)	229
Other comprehensive expense for the year/period .....	(3,773)	(4,987)	(61,863)	18,997
<b>Total comprehensive income for the year/period</b> .....	34,016	32,845	25,489	27,712

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

	For the year ended 31 December (audited)			For the six months ended 30 June 2016 (unaudited)
	2013	2014	2015	2016
	USD'000	USD'000	USD'000	USD'000
<b>Profit for the year/period attributable to:</b>				
Owners of the Company .....	35,289	35,764	86,837	8,306
Non-controlling interests .....	2,500	2,068	515	409
<b>Earnings per Share attributable to owners of the Company</b>				
—Basic (US cents per Share) .....	1.84	1.74	3.22	0.31
—Diluted (US cents per Share) .....	1.83	1.74	3.20	0.31
<b>Dividends</b>				
Interim Dividend .....	9,806	19,296	10,447	—
Final Dividend .....	—	17,412	17,400	—
<b>Dividends per Share</b>				
Interim Dividend(s) per Share .....	RM3,090,000	RM26,000 per each of ordinary share, class A share and class B share  RM0.74 per each of ordinary share, class A share and class B share	HK\$0.03	—
Final Dividend per Share .....	—	HK\$0.05	HK\$0.05	—

## 2. UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The following financial information has been derived from the unaudited consolidated results of the Group for the six months ended 30 June 2016 as extracted from the interim results announcement of the Company for the six months ended 30 June 2016:

### UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended June 30,	
		2016	2015
		USD'000 (Unaudited)	USD'000 (Unaudited)
Revenue	3	67,185	78,105
Cost of sales and services		(17,843)	(21,583)
Gross profit		49,342	56,522
Other income	4	4,981	5,391
Other gains and losses	5	(9,946)	16,211
Selling and distribution expenses		(14,449)	(18,434)
Administrative expenses		(14,586)	(13,993)
Finance costs		(862)	(1,208)
<b>Profit before taxation</b>	6	<b>14,480</b>	<b>44,489</b>
Income tax expense	7	(5,765)	(6,651)
<b>Profit for the period</b>		<b>8,715</b>	<b>37,838</b>
<b>Other comprehensive (expense)/income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		21,001	(24,034)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(1,309)	(898)
Fair value (loss)/gain on available-for-sale investments		(924)	2,119
Cumulative gain/(loss) reclassified from equity to profit or loss on disposal of available-for-sale investments		229	(1,068)
Other comprehensive income/(expense) for the period		18,997	(23,881)
Total comprehensive income for the period		27,712	13,957
<b>Profit for the period attributable to:</b>			
Owners of the Company		8,306	37,367
Non-controlling interests		409	471
		8,715	37,838
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		26,627	13,817
Non-controlling interests		1,085	140
		27,712	13,957
<b>Dividends</b>	8	<b>17,400</b>	<b>17,412</b>
<b>Earnings per ordinary share attributable to owners of the Company</b>			
—Basic (US cents per ordinary share)	9	0.31	1.38
—Diluted (US cents per ordinary share)		0.31	1.38



## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	June 30, 2016 USD'000 (Unaudited)	December 31, 2015 USD'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	11,026	10,659
Prepaid lease payments		239	208
Intangible assets		12,666	11,910
Land and development expenditure		80,071	53,219
Available-for-sale investments	11	15,015	13,839
Deferred acquisition cost		20,188	17,562
Trade and other receivables	12	35,332	34,016
Deferred tax assets		10,162	8,995
<b>Total non-current assets</b>		<b>184,699</b>	<b>150,408</b>
<b>Current assets</b>			
Inventories	13	159,977	126,508
Deferred acquisition cost		13,234	9,084
Prepaid lease payments		17	9
Trade and other receivables	12	47,778	40,070
Tax recoverable		4,824	2,700
Available-for-sale investments	11	18,410	17,369
Financial assets at fair value through profit or loss	14	4,367	11,058
Other financial assets		7,912	8,615
Bank balances and cash and cash equivalents	15	186,669	229,620
<b>Total current assets</b>		<b>443,188</b>	<b>445,033</b>
<b>Total assets</b>		<b>627,887</b>	<b>595,441</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital		26,991	26,989
Reserves		298,318	288,679
<b>Equity attributable to owners of the Company</b>		<b>325,309</b>	<b>315,668</b>
Non-controlling interests		5,893	4,920
<b>Total equity</b>		<b>331,202</b>	<b>320,588</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		7,060	6,508
Trade and other payables	16	3,072	2,982
Deferred pre-need funeral contract revenue		83,285	72,295
Deferred maintenance income		33,701	30,409
Obligations under finance leases		13	20
<b>Total non-current liabilities</b>		<b>127,131</b>	<b>112,214</b>
<b>Current liabilities</b>			
Trade and other payables	16	111,253	107,667
Deferred pre-need funeral contract revenue		6,753	5,862
Deferred maintenance income		237	226
Obligations under finance leases		20	25
Borrowings		47,444	46,015
Tax liabilities		3,847	2,844
<b>Total current liabilities</b>		<b>169,554</b>	<b>162,639</b>
<b>Total liabilities</b>		<b>296,685</b>	<b>274,853</b>
<b>Total equity and liabilities</b>		<b>627,887</b>	<b>595,441</b>
<b>Net current assets</b>		<b>273,634</b>	<b>282,394</b>
<b>Total assets less current liabilities</b>		<b>458,333</b>	<b>432,802</b>

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on September 23, 2010 and its ordinary shares were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on December 17, 2014 (the “**Listing**”). The registered office of the Company is at 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands and the address of the principal place of business in Hong Kong of the Company is 36th Floor, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

## 2. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited consolidated financial statements for the period ended June 30, 2016 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board and the applicable disclosures as required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The principal accounting policies used in the preparation of the financial statements are consistent with those adopted in the annual consolidated financial statements for the year ended December 31, 2015.

For those IFRS amendments and interpretations which are effective for the Group’s annual accounting periods beginning from January 1, 2016, their adoption will not have material impact to the unaudited consolidated financial statements in the period of initial application and for those which are not yet effective, the Group is in the process of assessing their impact on the unaudited consolidated financial statements.

The unaudited consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

## 3. REVENUE AND SEGMENT INFORMATION

## Revenue from major products and services

The following is an analysis of the Group’s revenue from its major products and services:

	Six months ended June 30,	
	2016	2015
	USD’000	USD’000
	(Unaudited)	(Unaudited)
<b>Sales of goods:</b>		
Burial plots#	20,960	20,810
Niches*	23,088	29,968
Tomb design and construction	13,273	16,155
<b>Provision of services:</b>		
Funeral services	6,502	7,093
Other burial and niches related services^	3,362	4,079
	<u>67,185</u>	<u>78,105</u>

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:

## 3. REVENUE AND SEGMENT INFORMATION (continued)

## Revenue from major products and services (continued)

# Includes marketing agency services provided to the Hui Zhou cemetery in China.

\* Includes revenue from (1) sales of niches in the Group's columbarium facilities (other than Penang Island columbarium in Malaysia), (2) fees for construction services and marketing agency services provided to the Penang Island columbarium in Malaysia, (3) marketing agency services provided to the Hui Zhou cemetery in China.

^ Includes marketing agency services provided to the Penang Island columbarium in Malaysia.

Information reported to the Managing Director, being the Group's chief operating decision maker, for the purpose of resource allocation and assessment of segment performance is based on the following reportable and operating segments identified under IFRS 8:

1. Burial services—Malaysia
2. Burial services—Singapore
3. Burial services—Indonesia
4. Burial services—China—Hong Kong
5. Burial services—Thailand
6. Funeral services—Malaysia

Burial services represent sale of goods, including supply of burial plots, niches and tomb design and construction, and provision of services related to cemeteries which include columbarium construction services and marketing agency services.

The chief operating decision maker reviews aggregate segment performance based on different geographical locations except for funeral services which will be separately reviewed. The reportable segments identified share similar economic characteristics as the customers are located in the same geographical location.

## Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

## For the period ended June 30, 2016 (Unaudited)

	Burial services					Funeral services	Total
	Malaysia	Singapore	Indonesia	China-Hong Kong	Thailand	Malaysia	
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Segment revenue	44,534	11,295	3,906	810	137	6,503	67,185
Segment profit	32,372	9,535	3,180	268	85	3,902	49,342
Other income							4,981
Other gains and losses							(9,946)
Selling and distribution expenses							(14,449)
Administrative expenses							(14,586)
Finance costs							(862)
Profit before taxation							(14,480)

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:

## 3. REVENUE AND SEGMENT INFORMATION (continued)

For the period ended June 30, 2015 (Unaudited)

	Burial services			Funeral services	Total
	Malaysia	Singapore	Indonesia	Malaysia	
	USD'000	USD'000	USD'000	USD'000	USD'000
Segment revenue	62,424	5,258	3,330	7,093	78,105
Segment profit	44,917	4,702	2,433	4,470	56,522
Other income					5,391
Other gains and losses					16,211
Selling and distribution expenses					(18,434)
Administrative expenses					(13,993)
Finance costs					(1,208)
Profit before taxation					44,489

For the purposes of monitoring segment performance and allocating resources between segments:

- other than those incurred for central management purpose, including certain assets of the following (a) property, plant and equipment, (b) deferred tax assets, (c) certain prepayments, (d) deposits and other receivable and (e) certain bank balance and cash, all assets are allocated to operating segments.
- other than those incurred for central management purpose, including certain current and deferred tax liabilities, certain bank borrowings, dividend payable and other unallocated payables and accruals, all liabilities are allocated to operating segments.

**Geographical information**

The Group's main operations are located in Malaysia (country of domicile), Singapore, Indonesia, China—Hong Kong and Thailand.

Information about the Group's revenue from external customers is presented based on the location of the operations.

Revenue from external customers:

	Six months ended June 30,	
	2016	2015
	USD'000 (Unaudited)	USD'000 (Unaudited)
Malaysia	51,037	69,517
Singapore	11,295	5,258
Indonesia	3,906	3,330
Thailand	137	—
China—Hong Kong	810	—
	67,185	78,105

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:

## 3. REVENUE AND SEGMENT INFORMATION (continued)

## Information about major customers

No single customer accounted for 10% or more of the Group's revenue during 1H 2016 and 1H 2015.

## 4. OTHER INCOME

	Six months ended June 30,	
	2016	2015
	USD'000 (Unaudited)	USD'000 (Unaudited)
Interest income on short-term deposits .....	797	1,160
Imputed interest income on receivables under instalment arrangement .....	3,049	3,283
Total interest income .....	3,846	4,443
Dividend from listed equity securities .....	122	185
Dividend from unit trust funds .....	286	129
Total dividend income .....	408	314
Others .....	727	634
	<u>4,981</u>	<u>5,391</u>

## 5. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2016	2015
	USD'000 (Unaudited)	USD'000 (Unaudited)
Gain from changes in fair value on financial assets at fair value through profit or loss ("FVTPL") .....	364	329
Loss from changes in fair value on derivative financial instrument – earn-out arrangement .....	(965)	(2,719)
Gain on disposal of available-for-sale investments .....	229	1,068
Net foreign exchange (losses)/gains .....	(9,551)	17,490
(Loss)/Gain on disposal of property, plant and equipment .....	(23)	43
	<u>(9,946)</u>	<u>16,211</u>

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:

## 6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging/(crediting):

	Six months ended June 30,	
	2016	2015
	USD'000 (Unaudited)	USD'000 (Unaudited)
Staff costs, including directors' remuneration:		
Salaries, wages and other benefits	9,411	8,863
Contributions to employees provident fund	906	910
Total staffs cost	10,317	9,773
Auditors' remuneration	112	86
Amortisation of prepaid lease payments	4	5
Depreciation of property, plant and equipment	787	945
Amortisation of intangible assets	17	128
Total depreciation and amortization	808	1,078
Cost of inventories recognised as expenses	13,448	17,501
Minimum lease payment under operating lease in respect of:		
Premises	218	335
Equipment	42	39
Net impairment losses (reversed)/ recognised on:		
Trade receivables	(854)	244

## 7. INCOME TAX EXPENSE

	Six months ended June 30,	
	2016	2015
	USD'000 (Unaudited)	USD'000 (Unaudited)
Current tax:		
Malaysian income tax	5,343	7,320
Other jurisdictions	858	423
	6,201	7,743
Deferred tax:		
Current	(436)	(1,092)
	5,765	6,651

No provision for Hong Kong profits tax has been made as there is no assessable profit subject to Hong Kong profits tax for both the current and prior periods.

Subsidiaries established in Malaysia, Singapore, Indonesia, China-Hong Kong and Thailand are subject to the respective countries' corporate income tax rates at 24%, 17%, 25%, 16.5% and 20% (2015: 25%, 17%, 25%, Nil and Nil) respectively.



## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:

## 8. DIVIDENDS

Dividends recognised as distribution during the period:

	Six months ended June 30,	
	2016	2015
	USD'000 (Unaudited)	USD'000 (Unaudited)
2014 final dividend:		
HKD0.05 per each of ordinary share .....	—	17,412
2015 final dividend:		
HKD0.05 per each of ordinary share .....	17,400	—
	<u>17,400</u>	<u>17,412</u>

No dividend is recommended for the current financial period.

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per ordinary share attributable to the owners of the Company is based on the following data:

	Six months ended June 30,	
	2016	2015
	USD'000 (Unaudited)	USD'000 (Unaudited)
Profit for the period attributable to owners of the Company .....	<u>8,306</u>	<u>37,367</u>
Number of ordinary shares		
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share .....	2,699,014	2,698,835
Effects of dilutive potential ordinary shares		
—Management warrants/share rights/sales agent share options .....	<u>13,166</u>	<u>15,323</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share .....	<u>2,712,180</u>	<u>2,714,158</u>

## 10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment have included USD719,000 and USD296,000 (December 31, 2015: USD625,000 and USD238,000) held under trust funds in relation to pre-need funeral service contracts and maintenance service contracts, respectively, as disclosed in note 20.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:

## 11. AVAILABLE-FOR-SALE INVESTMENTS

	June 30, 2016	December 31, 2015
	USD' 000 (Unaudited)	USD'000 (Audited)
Available-for-sale investments, stated at fair value, comprise the following:		
Listed equity investments:		
Equity securities listed in Malaysia . . . . .	5,118	5,171
Equity securities listed in China – Hong Kong . . . . .	2,467	3,636
Equity securities listed in other jurisdictions (including Singapore and Indonesia) . . . . .	5,049	2,796
Unlisted debt investments:		
Debentures in Malaysia . . . . .	511	480
Debentures in Singapore . . . . .	1,870	1,756
Unit trust funds in Malaysia . . . . .	18,410	17,369
At end of period	<u>33,425</u>	<u>31,208</u>
Analysed as:		
Current assets . . . . .	18,410	17,369
Non-current assets . . . . .	15,015	13,839
	<u>33,425</u>	<u>31,208</u>

Available-for-sale investments of the Group has included USD17,043,000 and USD16,382,000 (December 31, 2015: USD16,476,000 and USD14,732,000) held under trust funds in relation to pre-need funeral service contracts and maintenance service contract, respectively, as disclosed in note 20.

The unlisted debentures carry interest at fixed rates ranging from 3.18% to 7.28% (December 31, 2015: 3.18% to 7.28%) per annum. The original maturity date of these unlisted debentures ranges from 10 years to perpetual and these unlisted debentures will not mature one year after the end of the reporting period.

The unit trust funds are very liquid investment and are an alternative to bank deposits.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:

## 12. TRADE AND OTHER RECEIVABLES

	June 30, 2016	December 31, 2015
	USD'000 (Unaudited)	USD'000 (Audited)
Trade receivables .....	62,887	56,966
Less: Allowance for doubtful debts .....	(946)	(1,712)
	<u>61,941</u>	<u>55,254</u>
Other receivables .....	4,472	2,969
Less: Allowance for doubtful debts .....	(97)	(91)
	<u>4,375</u>	<u>2,878</u>
Deposits for acquisition of land for future cemetery development .....	7,359	7,259
Other deposits .....	3,492	3,402
Prepaid expenses .....	5,943	5,293
	<u>83,110</u>	<u>74,086</u>
Analysed as:		
Current assets .....	47,778	40,070
Non-current assets .....	35,332	34,016
	<u>83,110</u>	<u>74,086</u>

Trade receivables primarily comprise amounts receivable from the sale of burial services and receivables on rendering marketing agency services.

For sales of as-need burial services, funeral services and other related services, customers are required to pay at the point of transaction.

For sale of burial services and marketing agency services, the Group generally allows the customers to settle the contract sum over a 2 to 60 months (December 31, 2015: 2 to 48 months) interest-free period. The instalment receivables are discounted at an effective interest rate ranging from 6.0% to 14.8% (December 31, 2015: 6.8% to 13.5%) per annum.

Billings are due immediately upon issuance except for instalment receivables which are due in accordance with agreed repayment plan.

The following is the aged analysis of trade receivables (before allowance) presented based on the invoice dates at the end of the reporting period:

	June 30, 2016	December 31, 2015
	USD'000 (Unaudited)	USD'000 (Audited)
Instalment receivables not yet due .....	60,866	54,261
1–30 days .....	470	496
31–60 days .....	207	125
61–90 days .....	117	331
91–120 days .....	18	10
121 days and above .....	1,209	1,743
	<u>62,887</u>	<u>56,966</u>

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:

## 13. INVENTORIES

	June 30, 2016	December 31, 2015
	USD'000 (Unaudited)	USD'000 (Audited)
Land and development expenditure for cemetery properties		
—under development	69,221	45,842
—completed development	76,558	67,699
Tomb work in progress	11,955	10,799
Others	2,243	2,168
	<u>159,977</u>	<u>126,508</u>

During 1H 2016, interest charged by non-controlling interest amounting to USD156,000 (December 31, 2015: USD98,000) has been capitalised as part of the cost of development expenditure for cemetery properties—under development.

## 14. FINANCIAL ASSETS AT FVTPL

	June 30, 2016	December 31, 2015
	USD'000 (Unaudited)	USD'000 (Audited)
Financial assets at FVTPL include:		
Unit trust funds in Malaysia	4,367	4,465
Unit trust funds in Singapore	—	6,593
	<u>4,367</u>	<u>11,058</u>

The investment is designated as FVTPL on initial recognition.

The unit trust funds are very liquid investment and are an alternative to bank deposits.

## 15. BANK BALANCES AND CASH AND CASH EQUIVALENTS

	June 30, 2016	December 31, 2015
	USD'000 (Unaudited)	USD'000 (Audited)
Short-term deposits with banks ( <i>note i</i> )		
—Pledged	31,383	50,701
—Unpledged	137,173	150,211
Cash on hand and at banks ( <i>note ii</i> )	18,113	28,708
	<u>186,669</u>	<u>229,620</u>
Deposits with maturity over three months with banks ( <i>note iii</i> )	(53,083)	(82,258)
Restricted cash with banks ( <i>note iv</i> )	(108)	(135)
Restricted funds ( <i>note v</i> )	(60,036)	(56,301)
	<u>73,442</u>	<u>90,926</u>

## Notes:

- i The short-term deposits with banks carry interest at market rates which range from 0.22% to 8.75% (December 31, 2015: 0.01% to 10.00%) per annum. Certain deposits are pledged to secure bank guarantee facilities granted to subsidiaries.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:

**15. BANK BALANCES AND CASH AND CASH EQUIVALENTS (continued)**

- ii The Group's bank balances carry interest at market rates which range from 0.25% to 3.28% (December 31, 2015: 0.25% to 3.75%) per annum.
- iii The deposits with maturity date over three months with banks carry interest at market rates which range from 0.43% to 1.50% (December 31, 2015: 0.6% to 3.25%) per annum and represent deposits with original maturity dates of 120 days to 365 days (December 31, 2015: 120 days to 368 days) from inception. The whole amount is included in unpledged short-term deposits with licensed banks in note (i) above.
- iv The restricted cash with banks represents the Debt Service Reserve Account used to secure the credit facilities and is non- interest bearing. The entire amount is included in cash on hand and at bank in note (ii) above.
- v The restricted funds of the Group relate to:
- pre-need funeral service contracts and maintenance service contracts are USD950,000 (December 31, 2015: USD453,000) and USD6,136,000 (December 31, 2015: USD5,146,000), respectively. Details of the trust arrangement are set out in note 20. The entire amount is included in unpledged short-term deposits with banks in note (i) above;
  - approximately USD52,950,000 (December 31, 2015: USD50,702,000) which has been pledged as deposits to banks carrying market interest rates ranging from 0.51% to 1.10% (December 31, 2015: 0.65% to 3.85%) to secure banking facilities.

**16. TRADE AND OTHER PAYABLES**

	June 30, 2016	December 31, 2015
	USD' 000 (Unaudited)	USD' 000 (Audited)
Trade payables .....	14,025	12,239
Other payables .....	11,503	26,642
Amount due to non-controlling interests ( <i>note 19(b)</i> ) .....	7,084	2,394
Accrued expenses .....	12,178	10,804
Customers' deposits and advance billings ( <i>note i</i> ) .....	55,788	44,507
Commission and promotion expenses payable ( <i>note ii</i> ) .....	13,747	14,063
	<u>114,325</u>	<u>110,649</u>
Analysed as:		
Current liabilities .....	111,253	107,667
Non-current liabilities .....	3,072	2,982
	<u>114,325</u>	<u>110,649</u>

## Notes:

- i. Advances and deposits from customers principally arise from the pre-need sales of burial services under instalment plans and such amount will be recognised as revenue when the relevant revenue recognition criteria are met.
- ii. The Group's obligations of commission and promotion expenses payments under pre-need instalment sales of burial services arise upon contracts entered into with customers. Since the amount of payments to sales agents are associated with the timing of customers' receipts, the balance of sales agents' commission payable and promotion expenses payables were discounted to its present value at 9.12% (December 31, 2015: 12.3%) per annum, based on the expected timing of cash outflow.

The following is an aging analysis of trade payables presented based on the invoice dates at the year end:

	June 30, 2016	December 31, 2015
	USD'000 (Unaudited)	USD'000 (Audited)
0 – 30 days .....	11,958	9,768
31 – 60 days .....	1,227	1,438
61 – 90 days .....	202	357
91 and above .....	638	676
	<u>14,025</u>	<u>12,239</u>

**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:****16. TRADE AND OTHER PAYABLES (continued)**

The average credit term period on purchase of goods is 30 to 90 days.

Other payables of the Group represented the balance land acquisition price, the balance consideration for acquisition of tomb construction business, miscellaneous payables and accrued expenses as at the end of the reporting periods.

**17. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The Directors of the Company review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and issue of new share as well as the issue of new debt or the redemption of existing debt.

**18. FINANCIAL INSTRUMENTS****Financial risk management objective and policies**

The Group's major financial instruments include restricted cash, bank balances and cash, borrowings, trade and other receivables, trade and other payables, amounts due to non-controlling interests, obligations under finance leases, financial assets at FVTPL, available-for-sale investments and derivative financial instruments.

The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk****(i) Foreign currency risk**

The primary economic environment in which the Company's principal subsidiaries operate is Malaysia and their functional currency is Malaysian Ringgit.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities other than in the functional currency of the group entity at the end of the reporting period are immaterial, other than certain short-term deposits with banks are denominated in USD and HKD.

**(ii) Interest rate risk**

The Group is exposed to fair value interest rate risk in relation to interest free instalments receivables, floating- rate bank borrowings, and advances from non-controlling interests.



**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:****18. FINANCIAL INSTRUMENTS (continued)****Market risk (continued)****(ii) Interest rate risk (continued)**

The Group is exposed to cash flow interest rate risk in relation to variable rates bank balances and bank borrowings during the period. It is the Group's policy to keep certain of its bank balances and borrowings at floating rate interests so as to minimise the fair value interest rate risk. The Company does not have material floating interest-bearing balances at the end of the reporting period, such that it does not have significant cash flow interest rate risk.

**(iii) Other price risk**

The Group is exposed to price risk through its investments in listed equity securities, debentures and unit trust funds. The management manages this exposure by maintaining a portfolio of investments with different risks and diversifies its portfolio in various financial institutions.

**Credit risk**

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the unaudited consolidated statement of financial position at the end of the reporting period.

The Group generally allows customers for pre-need cemetery merchandise to settle the contract sum over a 2 to 60 months interest-free period upon receipt of deposit of 10% to 20% of the total contract sum when the contracts are signed. Allowance is made for the excess of the carrying amount of outstanding receivables over the present value of estimated future cash flows discounted at original effective interest rate. In addition, interment and usage of products sold are only available when the contract sum is fully settled. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. The Group's trade receivables consist of a large number of customers.

**Liquidity risk**

The Group's exposure to liquidity risk is minimal and is managed by maintaining adequate liquid cash balances and banking facilities, by continuous monitoring of forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:

## 19. RELATED PARTY TRANSACTIONS

The following are the transactions entered into by the Group with related parties during 1H 2016 and 1H 2015 respectively:

## (a) Related parties transactions:

	Six months ended June 30,	
	2016	2015
	USD'000 (Unaudited)	USD'000 (Unaudited)
Interest expense arising from advance from:		
Non-controlling interests:		
PT Bentara Bumi Morawa	143	—
Dawn's International Land Company Limited ("DSI")	15	—
Vilailux Development Co., Ltd	—	18
Rental expense:		
Company under common control by a Director, Tan Sri ' KONG Hon Kong:		
KHK Capital Holdings Sdn Bhd	97	99
Agency expense:		
Close family members of a member of senior management of a principal operating subsidiary, Dato' CHAN Loong Fui	104	88

All the above related party transactions do not constitute connected or continuing connected transactions that are required to be disclosed under Chapter 14A of the Listing Rules.

## (b) Amounts due to related parties:

	June 30, 2016	December 31, 2015
	USD'000 (Unaudited)	USD'000 (Audited)
Non-controlling interest		
—DSI	2,554	—
—PT Bentara Bumi Morawa	4,530	2,394

The amounts due to PT Bentara Bumi Morawa and DSI carry an interest at 10.50% (December 31, 2015: 10.5%) and 7.5% (December 31, 2015: Nil) per annum respectively.

## 20. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

## Trust funds arrangements

*Trust fund in relation to pre-need funeral services contract*

The Group enters into contracts with its customers for pre-need funeral service under which the funeral services may be rendered years after the contracts are signed and fees collected. In order to ensure that the funds collected from such contracts are properly managed, and that the Group will have sufficient funds to discharge its obligations under the contracts and perform the funeral services as and when such obligation materialises, at the time of receiving the payment for each contract, the Group voluntarily allocates and deposits a portion of such collections into a trust fund managed by a professional trustee, which will be invested in equity securities, fixed income securities, unit trust funds and properties, plant and equipment.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:

## 20. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

## Trust funds arrangements (continued)

*Trust fund in relation to pre-need funeral services contract (continued)*

Under this arrangement, the Group will only use the fund for the purpose of discharging its funeral services obligations under the pre-need funeral service contracts in the future. The amount to be allocated and deposited into the fund is determined by an independent third-party actuarial firm, based on the cost for rendering the relevant funeral services, mortality rates and taking into consideration the return on investment and inflation. This amount is recalculated and updated by the independent third-party actuarial firm at the end of the reporting period, and if it is determined that the fund maintained is insufficient to cover the future estimated costs, the Group will make further contribution to the fund accordingly.

The net assets of the fund included in the unaudited consolidated statement of financial position are as follows:

	June 30, 2016	December 31, 2015
	USD'000 (Unaudited)	USD'000 (Audited)
Property, plant and equipment . . . . .	719	625
Available-for-sale investments . . . . .	17,043	16,476
Bank balances and cash and cash equivalents . . . . .	950	453
Other (liabilities)/assets . . . . .	(47)	4
	<u>18,665</u>	<u>17,558</u>

*Trust funds in relation to maintenance service contract*

The Group enters into contracts with its customers for providing on-going maintenance services for burial plots and niches with an one-off payment of up-front maintenance and upkeep fee. In order to manage and invest the collections from such contracts to ensure sufficient funding for performing these ongoing and future obligations, the Group entered into trust deed to maintain funds with professional trustees for each of the cemeteries and deposits such collections into the trust funds (“Maintenance Funds”).

Under this arrangement, the trust accounts are under the management of professional trustees. In order to ensure that the Maintenance Funds are sustainable, the professional trustees are only allowed and obliged to use the investment returns from the Maintenance Funds pursuant to the trust deeds to fund the day-to-day maintenance of cemeteries and columbarium facilities. In the limited situations where certain capital expenditure is necessary for proper operations of such facilities, the professional trustees will be allowed to use the principal of the Maintenance Funds.

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS:

## 20. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

## Trust funds arrangements (continued)

*Trust funds in relation to maintenance service contract (continued)*

The net assets of the funds included in the unaudited consolidated statement of financial position are as follows:

	June 30, 2016	December 31, 2015
	USD'000 (Unaudited)	USD'000 (Audited)
Property, plant and equipment . . . . .	296	238
Available-for-sale investments . . . . .	16,382	14,732
Bank balances and cash and cash equivalents . . . . .	6,136	5,146
Other assets . . . . .	1,132	1,121
	<u>23,946</u>	<u>21,237</u>

### 3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the full text of the audited financial statements of the Group for the year ended 31 December 2015 as extracted from the annual report of the Company for the year ended 31 December 2015:

#### Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 USD'000	2014 USD'000
Revenue .....	5	148,576	165,064
Cost of sales and services .....		(36,140)	(48,639)
Gross profit .....		112,436	116,425
Other income .....	6	11,264	9,523
Other gains and losses .....	7	40,904	1,149
Selling and distribution expenses .....		(34,947)	(37,474)
Administrative expenses .....		(28,800)	(30,442)
Finance costs .....	8	(2,073)	(2,531)
Other expenses .....	9	—	(5,287)
Profit before taxation .....	10	98,784	51,363
Income tax expense .....	11	(11,432)	(13,531)
Profit for the year .....		87,352	37,832
Other comprehensive (expense)/income			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency .....		(65,061)	(5,928)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations .....		2,319	1,185
Fair value gain/(loss) on available-for-sale investments .....		2,006	(1,050)
Cumulative gain/(loss) reclassified from equity to profit or loss on disposal of available-for-sale investments .....		(1,127)	806
Other comprehensive expense for the year .....		(61,863)	(4,987)
Total comprehensive income for the year .....		25,489	32,845
Profit for the year attributable to:			
Owners of the Company .....		86,837	35,764
Non-controlling interests .....		515	2,068
		87,352	37,832
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company .....		25,540	30,910
Non-controlling interests .....		(51)	1,935
		25,489	32,845
<b>Earnings per ordinary share attributable to owners of the Company .....</b>	13		
—Basic (US cents per ordinary share) .....		3.22	1.74
—Diluted (US cents per ordinary share) .....		3.20	1.74

## Consolidated Statement of Financial Position

As of 31 December 2015

	Notes	2015 USD'000	2014 USD'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	10,659	12,918
Prepaid lease payments	16	208	267
Intangible assets	17	11,910	10,740
Land and development expenditure	18	53,219	14,218
Available-for-sale investments	20	13,839	14,313
Deferred acquisition cost	21	17,562	17,882
Trade and other receivables	22	34,016	39,447
Deferred tax assets	23	8,995	10,492
<b>Total non-current assets</b>		<b>150,408</b>	<b>120,277</b>
<b>Current assets</b>			
Inventories	24	126,508	113,575
Deferred acquisition cost	21	9,084	7,935
Prepaid lease payments	16	9	10
Trade and other receivables	22	40,070	48,007
Tax recoverable		2,700	864
Available-for-sale investments	20	17,369	15,429
Financial assets at fair value through profit or loss	25	11,058	29,730
Other financial assets	26	8,615	2,661
Bank balances and cash and cash equivalents	27	229,620	271,620
<b>Total current assets</b>		<b>445,033</b>	<b>489,831</b>
<b>Total assets</b>		<b>595,441</b>	<b>610,108</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	28	26,989	26,988
Reserves	30	288,679	291,747
Equity attributable to owners of the Company		315,668	318,735
Non-controlling interests		4,920	4,530
<b>Total equity</b>		<b>320,588</b>	<b>323,265</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	23	6,508	6,589
Trade and other payables	31	2,982	2,757
Deferred pre-need funeral contract revenue	32	72,295	74,754
Deferred maintenance income	33	30,409	34,616
Obligations under finance leases	34	20	81
<b>Total non-current liabilities</b>		<b>112,214</b>	<b>118,797</b>
<b>Current liabilities</b>			
Trade and other payables	31	107,667	100,455
Deferred pre-need funeral contract revenue	32	5,862	6,061
Deferred maintenance income	33	226	267
Obligations under finance leases	34	25	88
Borrowings	35	46,015	56,780
Tax liabilities		2,844	4,395
<b>Total current liabilities</b>		<b>162,639</b>	<b>168,046</b>
<b>Total liabilities</b>		<b>274,853</b>	<b>286,843</b>
<b>Total equity and liabilities</b>		<b>595,441</b>	<b>610,108</b>
<b>Net current assets</b>		<b>282,394</b>	<b>321,785</b>
<b>Total assets less current liabilities</b>		<b>432,802</b>	<b>442,062</b>



APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

Attributable to owners of the Company													
Notes	Share capital USD'000	Share premium USD'000	Capital reserve USD'000	Investment revaluation reserve USD'000	Warrant reserve USD'000	Share-based payment reserve		Other reserve USD'000	Translation reserve USD'000	Retained earnings USD'000	Total USD'000	Non-controlling interests	
						USD'000	USD'000					USD'000	USD'000
<b>As of January 1, 2014</b>													
	1	—	276	(1,194)	2,731	1,342	—	—	(2,923)	49,567	49,800	8,597	58,397
Profit for the year	—	—	—	—	—	—	—	—	—	35,764	35,764	2,068	37,832
Other comprehensive expense	—	—	—	(245)	—	—	—	—	(4,609)	—	(4,854)	(133)	(4,987)
Total comprehensive (expense)/ income for the year													
	—	—	—	(245)	—	—	—	—	(4,609)	35,764	30,910	1,935	32,845
Dividend recognised as distributions	14	—	—	—	—	—	—	—	—	(19,296)	(19,296)	—	(19,296)
Acquisition of additional interest in existing subsidiaries													
	38	—	—	—	—	—	—	(18,594)	—	—	(18,594)	(6,141)	(24,735)
Acquisition of a subsidiary	38	—	—	—	—	—	—	—	—	—	—	139	139
Bonus issue of shares	28	499	—	—	—	—	—	—	—	(499)	—	—	—
Effect of share-based payment	42	—	—	—	—	3,278	—	—	—	—	3,278	—	3,278
Deemed distribution to equity holders	29	—	—	—	1,003	—	—	—	—	(1,003)	—	—	—
Exercise of warrants	28	27	24,075	—	(3,734)	—	—	—	—	—	20,368	—	20,368
Issue of shares by capitalisation of share premium													
	28	19,714	(19,714)	—	—	—	—	—	—	—	—	—	—
Issue of shares at premium through initial public offerings													
	28	6,747	254,293	—	—	—	—	—	—	—	261,040	—	261,040
Transaction costs attributable to issue of new shares													
	—	(8,771)	—	—	—	—	—	—	—	—	(8,771)	—	(8,771)
<b>As of December 31, 2014</b>													
	26,988	249,883	276	(1,439)	—	4,620	(18,594)	(7,532)	64,533	318,735	4,530	323,265	

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2015 (continued)

Notes	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Investment revaluation reserve	Share-based payment reserve	Other reserve	Translation reserve	Retained earnings	Total		
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<b>As of January 1, 2015</b>	26,988	249,883	276	(1,439)	4,620	(18,594)	(7,532)	64,533	318,735	4,530	323,265
Profit for the year	—	—	—	—	—	—	—	86,837	86,837	515	87,352
Other comprehensive expense	—	—	—	879	—	—	(62,172)	—	(61,293)	(570)	(61,863)
Total comprehensive (expense)/income for the year	—	—	—	879	—	—	(62,172)	86,837	25,544	(55)	25,489
Issue of ordinary shares pursuant to exercise of employee share rights	1	46	—	—	(19)	—	—	—	28	—	28
Lapse of employee share rights	—	—	—	—	(76)	—	—	76	—	—	—
Dividend recognised as distributions	14	—	—	—	—	—	—	(27,859)	(27,859)	—	(27,859)
Contribution from non-controlling interest	—	—	—	—	—	—	—	—	—	591	591
Acquisition of additional interest in existing subsidiaries	38	—	—	—	—	(780)	—	—	(780)	(146)	(926)
<b>As of December 31, 2015</b>	26,989	249,929	276	(560)	4,525	(19,374)	(69,704)	123,587	315,668	4,920	320,588

The accompanying notes form an integral part of the consolidated financial statements.

**Consolidated Statement of Cash Flows***For the year ended 31 December 2015*

	<u>Notes</u>	<u>2015</u> USD'000	<u>2014</u> USD'000
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>			
Profit before taxation		98,784	51,363
Adjustments for:			
Amortisation of intangible assets		45	82
Amortisation of prepaid lease payments		9	10
Depreciation of property, plant and equipment		1,834	2,138
Impairment loss recognised/(reversed) on:			
—Trade receivables		1,059	19
—Other receivables		—	(5)
Finance costs		2,073	2,531
Fair value gain on financial asset at fair value through profit or loss		(1,006)	(680)
Loss on other financial assets and liabilities		2,650	776
Interest income from short term deposits		(2,346)	(403)
Dividend income from unit trust funds		(351)	(228)
Imputed interest income on receivables under instalment arrangement		(6,775)	(6,624)
Unrealised gain on foreign exchange		(40,858)	—
Gain on disposal of available-for-sale investments		(1,127)	(806)
Dividend income from listed equity securities		(381)	(347)
Loss/(Gain) on disposal of property, plant and equipment		37	(112)
Share-based payment expenses		—	3,278
Operating profit before working capital changes		53,647	50,992
Movements in working capital:			
(Increase)/Decrease in:			
Land and development expenditure		(31,723)	(6,042)
Inventories		(26,317)	(14,034)
Trade and other receivables		5,374	(26,090)
Other financial assets/liabilities		(9,737)	(3,158)
Deferred acquisition cost		(6,042)	(4,250)
Restricted funds		2,213	(1,033)
Increase in:			
Trade and other payables		3,906	14,864
Deferred pre-need funeral contract revenue		13,567	14,754
Deferred maintenance income		3,497	7,716
Cash generated from operations		8,385	33,719
Tax refunded		904	775
Tax paid		(14,713)	(13,430)
Net cash (used in)/from operating activities		(5,424)	21,064
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>			
Interest received from short-term bank deposits		2,346	403
Dividend received from available-for-sale investments		351	228
Dividend received from listed equity securities		381	347
Purchases of property, plant and equipment (note)		(2,045)	(2,613)
Proceeds from disposal of property, plant and equipment		228	401
Proceeds from disposal of subsidiaries	39	—	87
Acquisition of subsidiaries	38	(351)	(170)
Acquisition of business	38	(1,928)	—
Refund from acquisition of a subsidiary		—	496
Purchase of available-for-sale investments		(20,536)	(15,631)

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		<u>USD'000</u>	<u>USD'000</u>
Proceeds from disposal of available-for-sale investments . . . . .		<b>14,902</b>	10,293
Purchase of financial assets at fair value through profit or loss . . . . .		<b>(517,170)</b>	(151,238)
Proceeds from disposal of financial assets at fair value through profit or loss . . . . .		<b>532,698</b>	136,325
Placement of bank deposits with maturity over three months . . . . .		<b>(227,852)</b>	(205,340)
Withdrawal of bank deposits with maturity over three months . . . . .		<b>347,743</b>	3,295
Net cash from/(used in) investing activities . . . . .		<b>128,767</b>	(223,117)
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Interest paid . . . . .		<b>(888)</b>	(1,087)
Proceeds from issuance of shares . . . . .		<b>28</b>	266,518
Proceeds from issuance of shares to a non-controlling interests . . . . .		<b>591</b>	—
Acquisition of additional interest in subsidiaries . . . . .		<b>(926)</b>	(26,529)
Additional contributions from non-controlling interests . . . . .		<b>2,395</b>	1,078
Repayment to a non-controlling interests . . . . .		<b>(2,050)</b>	—
Repayment to ultimate holding company . . . . .		<b>—</b>	(18,545)
Dividend paid . . . . .		<b>(27,859)</b>	(4,659)
Proceeds from borrowings . . . . .		<b>—</b>	59,642
Repayment of borrowings . . . . .		<b>(7,571)</b>	(30,411)
Repayment of obligations under finance leases . . . . .		<b>(124)</b>	(151)
Additions in restricted funds . . . . .		<b>(50,594)</b>	—
Net cash (used in)/from financing activities . . . . .		<b>(86,998)</b>	245,856
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS . . . . .</b>		<b>36,345</b>	43,803
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR . . . . .</b>		<b>61,198</b>	18,684
Effect of exchange differences . . . . .		<b>(6,617)</b>	(1,289)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR . . . . .</b>	27	<b>90,926</b>	61,198

Note: During the current financial year, the Group acquired property, plant and equipment with an aggregate cost of USD2,064,000 (2014: USD2,613,000) of which USD19,000 (2014: Nil) was acquired under obligations under finance lease arrangements. Cash payments for the acquisition of property, plant and equipment amounted to USD2,045,000 (2014: USD2,613,000).

The accompanying notes form an integral part of the consolidated financial statements.

**Notes to the Consolidated Financial Statements**  
**31 December 2015**

**1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is at 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. The principal place of business of the Group is as follows:

**a. Headquarters in Malaysia**

Wisma Nirvana  
No. 1, Jalan 1/116A  
Off Jalan Sungai Besi  
57100 Kuala Lumpur, Wilayah Persekutuan  
Malaysia

**b. Headquarters in Indonesia**

Unit 12 J-K, Gedung Hayam Wuruk  
Jalan Hayam Wuruk, 108 Jakarta Barat  
11160 Indonesia

**c. Headquarters in Singapore**

950 Old Choa Chu Kang Road  
Singapore 699816

**d. Headquarters in Thailand**

213/1–2, 5th FL. (MRT Sutthisan)  
Ratchadaphisek Rd. Din Daeng, Din Daeng.  
Bangkok 10400 Thailand

**e. Headquarters in Hong Kong**

Unit 06, 13/F., Tower 1, Lippo Centre  
89 Queensway, Admiralty, Hong Kong

The Company is an investment holding company. The principal activities of the Group are sales of burial plots and niches and tombs, and provision of funeral services and columbarium construction services in Malaysia, Singapore, Indonesia, Thailand and China—Hong Kong.

The functional currency of the Company is RM and for the purpose of this report, the consolidated financial statements is presented in USD and all values are rounded to the nearest thousand (USD’000) except where otherwise indicated.

**Notes to the Financial Statements**  
**31 December 2015**

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

**Adoption of New and Revised IFRSs**

In the current financial year, the Group has adopted a number of amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after January 1, 2015 as follows:

IAS 19	Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions)
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle

The adoption of these revised Standards and Amendments have not affected the amounts reported in the financial statements of the Group.

**Standards and Amendments in Issue but Not Yet Effective**

At the date of the authorisation for issue of these financial statements, the new and revised Standards and Amendments relevant to the Group which were in issue but not yet effective and not early adopted by the Group are as listed below:

IFRS 9	Financial Instruments <sup>2</sup>
IFRS 15	Revenue from Contracts with Customers <sup>2</sup>
IFRS 16	Leases <sup>3</sup>
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
Amendments to IAS 1	Disclosure Initiatives <sup>1</sup>
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle <sup>1</sup>

1 Effective for annual periods beginning on or after January 1, 2016

2 Effective for annual periods beginning on or after January 1, 2018

3 Effective for annual periods beginning on or after January 1, 2019

The Directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group in the period of initial application except as discussed below:

**IFRS 9 Financial Instruments**

IFRS 9 issued in July 2014 and has an effective date of January 1, 2018. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and introduce new requirements for the classification and measurement of financial assets and financial liabilities, a new model for recognising



**Notes to the Financial Statements**  
**31 December 2015**

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

**IFRS 9 Financial Instruments (continued)**

loan loss provisions based on expected credit losses and provide for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

***Classification and measurement***

Financial assets are classified on the basis of the business model within which they are held, and their contractual cash flow characteristics. The standard also introduces a 'fair value through other comprehensive income' ("FVOCI") measurement category for particular simple debt instruments. The requirements for the classification and measurement of financial liabilities were carried forward unchanged from IAS 39, however, the requirements relating to the fair value option for financial liabilities were changed to address own credit risk and, in particular, the presentation of gains and losses within other comprehensive income.

***Impairment***

IFRS 9 incorporates an expected loss approach for recognising credit losses. Under this approach expected credit losses or lifetime expected credit losses for all amortised cost and FVOCI debt instruments would be recognised depending on whether or not significant credit deterioration has occurred since origination or acquisition. Where significant deterioration has not occurred, a provision equating to 12 months of expected credit losses would be recognised whereas if there is a significant deterioration in credit risk, lifetime expected credit losses would be recognised.

***Hedge accounting***

The general hedge accounting model aligns hedge accounting more closely with risk management and establish a more principle-based approach to hedge accounting. Dynamic hedging of open portfolios is being dealt with as a separate project and until such time as that project is complete, entities can choose between applying the hedge accounting requirements of IFRS 9 or to continue to apply the existing hedge accounting requirements in IAS 39. The revised hedge accounting requirements in IFRS 9 are applied prospectively. The impact of the standard is currently being assessed but it is not practicable to quantify the effect as at the date of the issuance of the financial statements.

**IFRS 15 Revenue from Contracts with Customers**

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contract with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

**Notes to the Financial Statements**  
**31 December 2015**

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

**IFRS 15 Revenue from Contracts with Customers (continued)**

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors are currently assessing the impact on adoption of IFRS 15 on the amounts reported and disclosures in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group completes a detailed review.

**IFRS 16 Leases**

IFRS 16 as issued by the IASB in January 2016 applies to annual reporting periods beginning on or after January 1, 2019 and specifies how the Group will recognise, measure, present and disclose leases then. This Standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases.

The Directors are currently assessing the impact of adoption of IFRS 16 on the amounts reported and the disclosures in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Group completes a detailed review.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The consolidated financial statements have been prepared in accordance with the IFRSs issued by the International Accounting Standards Board. In addition, the consolidated financial statements have included applicable disclosures as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting (continued)**

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, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of consolidation (continued)**

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains controls until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions among members of the Group are eliminated in full on consolidation.

***Changes in the Group's ownership interests in existing subsidiaries***

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, and liabilities of the subsidiary, including any goodwill, and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary/ business unit's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary/business unit's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of consolidation (continued)**

***Changes in the Group's ownership interests in existing subsidiaries (continued)***

acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

**Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and is reduced for sales related taxes.

The Group enters into contracts with its customers for the sale of burial plots, niches and tombs, provision of funeral services and columbarium construction services.

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue recognition (continued)**

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably; and
- the recoverability of the sales amount can be reasonably assured.

The policies for each type of goods sold or services provided are discussed in more details as follows:

*i. Sale of burial plots and niches*

Revenue from as-need sales of burial plots and niches is recognised when the goods are delivered.

Revenue from pre-need sales of burial plots and niches is recognised when the contract is signed by the purchaser, a significant amount of deposits of the contracted value received and the relevant identified burial plots and/or niches are ready to be delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under “customers’ deposits and advance billings” in trade and other payables.

*ii. Sale of tombs*

The tombs sale by the Group is classified into standard tombs and personalised tombs.

Revenue from sale of standard tombs is recognised when the goods are delivered to the buyers.

For sales of personalised tombs which normally includes tomb design and construction services, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs except where this would not be representation of the stage of completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.



**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue recognition (continued)**

**iii. Funeral services**

Funeral services revenue is recognised when services are performed.

Revenue from pre-need sales of funeral contract is deferred until the period in which the funeral services are performed and the products and services are delivered. In the consolidated statement of financial position, the amount received prior to the services performed is included in deferred pre-need funeral contract revenue (liability).

The costs to acquire the sales, primarily commissions incurred, are reflected in the consolidated statement of financial position as deferred acquisition cost (assets) and are charged to expense as the funeral services are performed and products are delivered. Indirect costs of marketing pre-need funeral contract revenue are expensed in the period in which they are incurred.

When the funeral product and service is delivered, the Group recognises as revenue the full contract amount with a corresponding reduction recorded to deferred pre-need funeral contract revenue. Associated deferred acquisition costs are expensed, and the actual expenses incurred in delivering the products and services are recognised.

**iv. Marketing agency services**

Marketing agency services revenue is recognised when services are performed.

**v. Cemetery maintenance services**

Revenue from the provision of cemetery maintenance services is deferred and amortised on a straight-line basis over the remaining estimated service period.

**vi. Construction services and earn-out arrangement**

The Group was engaged to design and build a columbarium complex in Malaysia and the agreement contained an earn-out provision pursuant to which the Group's construction service consideration is determined with reference to, and settled through, a portion of the proceeds from sales or pre-sales of the columbarium complex in a given period specified in the relevant agreement.

Construction revenue consideration is determined based on best estimation made by the Directors of the Company and is recognised by reference to the stage of completion of the contract activity at the end of the reporting period and measured based on present value of the expected future economic benefits that expects to flow to the Group at an appropriate discount rate. When the outcome of a construction contract can be estimated reliably, revenue is recognised by reference to costs incurred during the period measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

The earn-out provision is classified as an embedded derivative financial instrument and measured at fair value through profit or loss at the end of the reporting period.

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue recognition (continued)**

**vi. Construction services and earn-out arrangement (continued)**

The Group's work in progress, net of the portion of proceeds from sale or pre-sales of the columbarium complex collected by the Group and the relevant embedded earn-out derivative is included in other financial assets and liabilities in note 26.

**vii. Dividend income**

Dividend income from investments is recognised when the shareholder's right to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

**viii. Interest income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of the income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**(i) The Group as lessee**

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leasing (continued)**

**(ii) *Leasehold land and building***

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. United States dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Borrowing costs**

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Retirement benefit costs**

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

**Share-based payment arrangements**

***Equity-settled share-based payment transactions***

***Share-based payment transactions of the Company***

**Management warrants and share rights granted to employees**

For grants of management warrants and share rights that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of the management warrants and share rights granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Group revises its estimates of the number of management warrants and share rights that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

For management warrants and share right that vest immediately at the date of grant, the fair value of the management warrants and share rights granted is expensed immediately to profit or loss.

When management warrants and share rights are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the management warrants and share rights are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained earnings.

**Share options granted to agents**

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received unless that fair value cannot be reliably measured, in which case the goods

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Share-based payment arrangements (continued)**

***Equity-settled share-based payment transactions (continued)***

*Share-based payment transactions of the Company (continued)*

Share options granted to agents (continued)

or services received are measured by reference to the fair value of the share rights granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based payment reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income and expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Taxation (continued)**

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**Property, plant and equipment**

Property, plant and equipment including buildings, leasehold land (classified as finance lease) and freehold land held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Properties in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Intangible assets**

**(i) *Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Intangible assets (continued)**

**(i) *Intangible assets acquired separately (continued)***

indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

**(ii) *Intangible assets acquired in a business combination***

Intangible assets acquired are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses on the same basis as intangible assets that are acquired separately. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

**(iii) *Goodwill***

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units ("CGUs") that are expected to benefit from the synergies of the combination.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.



**Notes to the Financial Statements  
31 December 2015****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Deferred acquisition cost**

The costs of acquiring sales contracts are deferred until the revenue is recognised.

**Land and development expenditure**

Land and development expenditure consist of prepaid lease payments, cost of initial land development and all direct construction costs and appropriate development overheads.

Land held for interment purpose and its related development expenditure where no development activities have been carried out or where development activities are not expected to be completed or realised within the normal operating cycle is classified as non-current asset and is stated at cost less accumulated impairment losses, if any.

Upon commencement of development of the cemetery with the intention of sale in the ordinary course of business of the Group, the related carrying amounts of land and development expenditure are transferred to inventories.

**Inventories**

Inventories include burial plots and niches developed and ready for sale or under development, tombs under development and urns.

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Impairment of tangible and intangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of tangible and intangible assets (continued)**

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. The impairment is allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit), other than goodwill, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

**Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

***Financial assets***

The Group's financial assets are classified into the following specified categories: financial assets at FVTPL, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

*Financial assets (continued)*

initial recognition. All regular way purchases or sales of financial assets are recognised and are derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL, of which interest income is included in net gains or losses.

*Financial assets at FVTPL*

Financial assets at FVTPL represent those designated as FVTPL on initial recognition. A financial asset may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and *IAS 39 Financial Instruments: Recognition and Measurement* permits the entire consolidated contract (asset or liability) to be designated as FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other income, and other gains and losses. Fair value is determined in the manner described in note 37.

*AFS financial assets*

AFS financial assets are non-derivatives that are either designated as available-for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated certain items as AFS financial assets on initial recognition.

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

*Financial assets (continued)*

*AFS financial assets (continued)*

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of the reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's rights to receive the dividends are established.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

***Financial assets (continued)***

***Impairment of financial assets (continued)***

- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses is recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

*Financial liabilities and equity instruments (continued)*

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities at FVTPL*

A financial liability other than a financial liability held for trading may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 37.

*Other financial liabilities*

Other financial liabilities including trade and other payables, and borrowings are subsequently measured at amortised cost, using the effective interest method.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis other than those financial liabilities classified as FVTPL, of which the interest expense is included in net gains or losses.

**Notes to the Financial Statements**  
**31 December 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

***Financial liabilities and equity instruments (continued)***

*Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

*Obligation arising from put options*

Put option written to and call option granted from a non-controlling shareholder, which will be settled other than by exchange of fixed amount of cash for a fixed number of shares in a subsidiary are accounted for as derivatives and are recognised at fair value upon initial recognition. Any changes of fair value at subsequent reporting dates are recognised in profit or loss.

The gross financial liability arising from the put option is recognised when contractual obligation to repurchase the shares in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group. The liability for the share redemption amount is initially recognised and measured at present value of the estimated repurchase price. In subsequent years, the remeasurement of the present value of the estimated gross obligation under the written put option to the non-controlling shareholder is recognised in profit or loss.

If the put option is exercised, the carrying amount of the gross financial liability at that date is extinguished by the payment of the exercise price. If the put option expires unexercised, the liability is derecognised with the non-controlling interest being reinstated. Any difference between the liability and non-controlling interest is recognised in equity.

***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.



**Notes to the Financial Statements**  
**31 December 2015**

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations (see below), that the Directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

***Revenue recognition for pre-need sales under instalment plans***

The Group enters into contracts with its customers for pre-need sales of ownership rights of burial plots and niches under which customers are allowed to settle the contract amount by interest-free instalments.

The Group recognises revenue from the sales of pre-need burial plots and niches, provided that the contract is signed by the customer, the product is on hand, identified and ready for delivery, and collectability of the contract sum is reasonably assured. Before a significant amount of the contract selling price has been collected, the Group does not recognise revenue. At this stage, it records all payments received as "customers' deposits and advance billings" under trade and other payables. When a significant amount of the contract selling price has been collected, the collectability of the contract sum is reasonably assured and the product is ready for delivery, the Group records the full contract sum as revenue and any unsettled contract sum is recognised as trade receivables. However, the products sold are only allowed for interment purpose when the relevant contract sum is fully settled.

When determining the point of revenue recognition, the Directors exercise significant judgement in evaluating whether revenue recognition criteria are met. In their evaluation, various factors including the amount of customers' deposits required, the history and terms of these pre-need sales, the extent to which sales are consummated, the possibility of such transaction being terminated due to non-payment, as well as the historical rate of default on the instalment payments by customers, are taken into account. After assessing these factors, the Directors concluded that when 35% of the pre-need sales contract sums in relation to burial plots and niches is received, the collectability of the remaining contract sum is reasonably assured and as a result, the revenue recognition criteria are met and sales is recognised to the profit or loss.

**Notes to the Financial Statements**  
**31 December 2015**

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**

**Critical judgements in applying accounting policies (continued)**

***Revenue recognition for pre-need sales under instalment plans (continued)***

During the years ended December 31, 2015 and 2014, the amounts of revenue recognised from the sale of pre-need burial plots and niches amounted to approximately USD76,614,000 and USD87,742,000, respectively.

As at December 31, 2015 and 2014, the related customers' deposits and advance billings received before the pre-need burial plots and niches sales are recognised as revenue amounted to USD17,890,000 and USD18,231,000, respectively.

***Control over trust funds***

The Group sets up trust funds for each of its cemeteries in relation to maintenance service contracts and a trust fund for its pre-need funeral service contracts.

The Directors assessed whether or not the Group has control over these funds based on whether the Group has the practical ability to direct the relevant activities of the funds unilaterally. In making their judgement, the Directors considered that the Group contributes the entire capital of these funds and each of the trust funds is managed by a management committee in which three out of the five members (including the chairman) of each committee is nominated by the Group. After assessment, the Directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of these funds and therefore the Group has control over all of its trust funds.

**Key sources of estimation uncertainty**

The following are 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 reporting period.

***Recognition of deferred maintenance income***

The Group enters into contracts with its customers for providing maintenance service in relation to the burial plots and niches sold for consideration that is expected to exceed cost of maintenance. Upon receipt of prepayment in relation to maintenance service from its customers, the Group will defer such amount to deferred maintenance income which will be amortised in subsequent periods as income in profit or loss on a straight-line basis over the remaining estimated service period. Total deferred maintenance income is reviewed at the end of each reporting period. If it is considered that deferred maintenance income is insufficient to cover the expected cost of maintenance, additional provision will be made accordingly. Significant management estimation is required to determine the estimated service period in determining the related amortisation amount.

As at December 31, 2015 and 2014, the carrying amount of deferred maintenance income was USD30,635,000 and USD34,883,000, respectively as shown in note 33.

**Notes to the Financial Statements**  
**31 December 2015**

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**

**Key sources of estimation uncertainty (continued)**

***Estimated impairment of trade receivables***

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at December 31, 2015 and 2014, the carrying amount of trade receivables was USD55,254,000 and USD71,640,000 (net of allowance for doubtful debts of USD1,712,000 and USD884,000), respectively as shown in note 22.

***Estimated impairment of land and development expenditure***

When there is objective evidence of impairment loss in relation to land and development expenditure, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at a suitable discount rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at December 31, 2015 and 2014, the carrying amount of land and development expenditure was USD53,219,000 and USD14,218,000, respectively as shown in note 18. No impairment was recorded for land and development expenditure during the financial years ended December 31, 2015 and 2014.

***Allowance for inventories***

At the end of the reporting period, the Group will determine the saleability of its inventories based on the market conditions and supply. Inventories are stated at lower of cost and net realisable value.

As at December 31, 2015 and 2014, the carrying amount of the Group's inventories was USD126,508,000 and USD113,575,000 as shown in note 24.

***Estimated useful lives and impairment of property, plant and equipment and intangible assets***

The Group determines the estimated useful lives and the depreciation or amortisation method in determining the related depreciation or amortisation charges for its property, plant and equipment and intangible assets. This estimate is based on the Group's experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. In addition, the Group assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment and intangible assets may not be recoverable. The

Notes to the Financial Statements  
31 December 2015

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION  
UNCERTAINTY (continued)**

**Key sources of estimation uncertainty (continued)**

***Estimated useful lives and impairment of property, plant and equipment and intangible assets (continued)***

Group will increase the depreciation or amortisation charge where useful lives are expected to be shorter than expected, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives or recoverable amounts of property, plant and equipment and intangible assets differ from the original estimates, adjustment will be made and recognised in the period in which such event takes place.

As at December 31, 2015 and 2014, the carrying amounts of property, plant and equipment was approximately USD10,659,000 and USD12,918,000, respectively as shown in note 15. No impairment indicators on property, plant and equipment were identified during the financial years ended December 31, 2015 and 2014.

As at December 31, 2015 and 2014, the carrying amounts of intangible assets was approximately USD11,910,000 and USD10,740,000, respectively as shown in note 17. No impairment was recorded for the intangible assets during the financial years ended December 31, 2015 and 2014.

***Estimated costs of sales and renewal of land leases upon expiry***

The Group enters into contracts with its customers for the provision of burial services, which include the sale of burial plots and niches and granted licences to their customers for the use of these burial products for an unspecified contractual term or a term that includes the renewal options of the related land lease. Pursuant to the relevant regulations or the terms of the land leases, the Group may apply for renewal upon expiration of the term of the land leases. The expected cost to renew the relevant land lease to fulfill the Group's obligation under the terms of the sales contract would be a provision recognised as a part of the cost of sales of the burial products. The Group assesses such cost on annual basis. In the opinion of the Directors, such cost was not significant at the end of the reporting period other than the extension lease in Singapore as disclosed in note 48.

***Income taxes***

As shown in note 23, as at December 31, 2015 and 2014, the deferred tax assets are USD725,000 and USD1,218,000, respectively, in relation to unused tax losses that have been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

***Fair value measurements and valuation processes***

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Directors of the Company have to determine the appropriate valuation techniques and

**Notes to the Financial Statements**  
**31 December 2015**

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**

**Key sources of estimation uncertainty (continued)**

*Fair value measurements and valuation processes (continued)*

inputs for fair value measurements. The fair value of financial instruments that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the reporting date, including reference to quoted market prices and independent dealer quotes for similar bonds and discounted cash flows method. Where the fair values of financial instruments cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible but where this is not feasible, a degree of judgement is required in establishing fair values. Note 26 and 37 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

**5. REVENUE AND SEGMENT INFORMATION**

**Revenue from major products and services**

The following is an analysis of the Group's revenue from its major products and services:

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
<b>Sales of goods:</b>		
Burial plot .....	<b>48,611</b>	54,216
Niche .....	<b>36,508</b>	44,367
Tomb .....	<b>26,642</b>	26,532
<b>Provision of services:</b>		
Funeral services .....	<b>13,419</b>	13,362
Marketing agency services .....	<b>3,742</b>	8,654
Other burial and niches related services .....	<b>8,138</b>	11,163
<b>Revenue from columbarium construction service .....</b>	<b><u>11,516</u></b>	<u>6,770</u>
	<b><u>148,576</u></b>	<u>165,064</u>

Information reported to the Managing Director, being the Group's chief operating decision maker, for the purpose of resource allocation and assessment of segment performance is based on the following reportable and operating segments identified under IFRS 8:

1. Burial services—Malaysia
2. Burial services—Singapore
3. Burial services—Indonesia
4. Burial services—China—Hong Kong
5. Funeral services—Malaysia

Burial services represent sales of goods, including burial plot, niche and tomb, and provision of services related to cemeteries which include columbarium construction services and marketing agency services.

**Notes to the Financial Statements**  
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**5. REVENUE AND SEGMENT INFORMATION (continued)**

**Revenue from major products and services (continued)**

The chief operating decision maker reviews aggregate segment performance based on different geographical locations except for funeral services which will be separately reviewed. The reportable segments identified share similar economic characteristics as the customers are located in the same geographical location.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the gross profit earned by each segment.

**Segment revenues and results**

The following is an analysis of the Group's revenue and results by reportable and operating segment.

**2015**

	Burial services				Funeral services	Total
	Malaysia	Singapore	Indonesia	China-Hong Kong	Malaysia	
	USD'000	USD'000	USD'000	USD'000	USD'000	
Segment revenue	110,855	17,957	6,033	312	13,419	148,576
Segment profit	83,616	15,937	4,436	156	8,291	112,436
Other income						11,264
Other gains and losses						40,904
Selling and distribution expenses						(34,947)
Administrative expenses						(28,800)
Finance costs						(2,073)
Profit before taxation						98,784

**2014**

	Burial services				Funeral services	Total
	Malaysia	Singapore	Indonesia	China-Hong Kong	Malaysia	
	USD'000	USD'000	USD'000	USD'000	USD'000	
Segment revenue	127,209	18,151	6,342	—	13,362	165,064
Segment profit	88,438	16,261	4,582	—	7,144	116,425
Other income						9,523
Other gains and losses						1,149
Selling and distribution expenses						(37,474)
Administrative expenses						(30,442)
Finance costs						(2,531)
Other expenses						(5,287)
Profit before taxation						51,363

Notes to the Financial Statements  
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5. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

2015

	Burial services				Funeral services	Segment Total	Unallocated	Elimination adjustments	Total
	Malaysia	Singapore	Indonesia	China-Hong Kong	Malaysia				
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<b>Assets</b>									
Segment assets/ consolidated assets . . .	<u>273,283</u>	<u>70,461</u>	<u>35,677</u>	<u>3,091</u>	<u>79,855</u>	<u>462,367</u>	<u>357,406</u>	<u>(224,332)</u>	<u>595,441</u>
<b>Liabilities</b>									
Segment liabilities/ consolidated liabilities . . . . .	<u>(242,668)</u>	<u>(65,515)</u>	<u>(26,570)</u>	<u>(2,979)</u>	<u>(84,304)</u>	<u>(422,036)</u>	<u>(43,260)</u>	<u>190,443</u>	<u>(274,853)</u>
Total net assets									<u>320,588</u>

2014

	Burial services				Funeral services	Segment Total	Unallocated	Elimination adjustments	Total
	Malaysia	Singapore	Indonesia	China-Hong Kong	Malaysia				
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<b>Assets</b>									
Segment assets/ consolidated assets . . .	<u>250,301</u>	<u>104,389</u>	<u>19,734</u>	<u>—</u>	<u>94,141</u>	<u>468,565</u>	<u>368,268</u>	<u>(226,725)</u>	<u>610,108</u>
<b>Liabilities</b>									
Segment liabilities/ consolidated liabilities . . . . .	<u>(204,885)</u>	<u>(103,995)</u>	<u>(12,366)</u>	<u>—</u>	<u>(90,475)</u>	<u>(411,721)</u>	<u>(72,132)</u>	<u>197,010</u>	<u>(286,843)</u>
Total net assets									<u>323,265</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- other than those incurred for central management purpose, including certain assets of the following (a) property, plant and equipment, (b) deferred tax assets, (c) certain prepayments, (d) deposits and other receivable; and (e) certain bank balance and cash, all assets are allocated to operating segments.
- other than those incurred for central management purpose, including certain current and deferred tax liabilities, certain bank borrowings, dividend payable and other unallocated payables and accruals, all liabilities are allocated to operating segments.



Notes to the Financial Statements  
31 December 2015

5. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

2015

	Burial services				Funeral services	Segment Total	Unallocated	Total
	Malaysia	Singapore	Indonesia	China-Hong Kong	Malaysia			
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Amounts included in the measure of segment profit or loss or segment assets:								
Capital expenditure .....	1,448	36	81	79	286	1,930	134	2,064
Depreciation .....	770	99	182	4	487	1,542	292	1,834
Amortisation .....	45	—	—	—	9	54	—	54

2014

	Burial services				Funeral services	Segment Total	Unallocated	Total
	Malaysia	Singapore	Indonesia	China-Hong Kong	Malaysia			
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Amounts included in the measure of segment profit or loss or segment assets:								
Capital expenditure .....	1,228	127	238	—	642	2,235	378	2,613
Depreciation .....	577	153	205	—	605	1,540	598	2,138
Amortisation .....	82	—	—	—	10	92	—	92

Geographical information

The Group's main operations are located in Malaysia (country of domicile), Singapore, Indonesia and China-Hong Kong.

Information about the Group's revenue from external customers is presented based on the location of the operations.

Revenue from external customers:

	2015	2014
	USD'000	USD'000
Malaysia .....	124,274	140,571
Singapore .....	17,957	18,151
Indonesia .....	6,033	6,342
China-Hong Kong .....	312	—
	<u>148,576</u>	<u>165,064</u>

The majority of the non-current assets (excluding financial instruments and certain deferred tax assets) are related to operations in Malaysia.

**Notes to the Financial Statements**  
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**5. REVENUE AND SEGMENT INFORMATION (continued)**

**Information about major customers**

No single customer accounted for 10% or more of the Group's revenue during the financial years ended December 31, 2015 and 2014.

**6. OTHER INCOME**

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Interest income on short-term deposits . . . . .	<b>2,346</b>	403
Imputed interest income on receivables under instalment arrangement (note 22) . . . . .	<b>6,775</b>	6,624
Total interest income . . . . .	<b>9,121</b>	7,027
Dividend from listed equity securities . . . . .	<b>381</b>	347
Dividend from unit trust funds . . . . .	<b>351</b>	228
Total dividend income (note a) . . . . .	<b>732</b>	575
Income from enlightenment ceremony (note b) . . . . .	<b>453</b>	377
Others . . . . .	<b>958</b>	1,544
	<b><u>11,264</u></b>	<b><u>9,523</u></b>

Notes:

(a) Investment income earned from financial assets not designated as FVTPL included under other income, by category of asset is as follows:

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Available-for-sale financial assets . . . . .	<b>732</b>	575

Income recognised in respect of financial assets designated as FVTPL is disclosed in note 7.

(b) Income from enlightenment ceremony represents the net income derived from the customers' participation in the ceremonies held at the various cemeteries to appease the souls of their departed family members which is held on an annual basis in conjunction with the seventh month of the Chinese calendar.

**7. OTHER GAINS AND LOSSES**

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Gain from changes in fair value on FVTPL . . . . .	<b>1,006</b>	680
Gain from changes in fair value on derivative financial instrument – call option . . . . .	—	25
Loss from changes in fair value on derivative financial instrument – earn-out arrangement . .	<b>(2,650)</b>	(744)
Gain on disposal of AFS . . . . .	<b>1,127</b>	806
Net foreign exchange gains . . . . .	<b>41,458</b>	327
(Loss)/Gain on disposal of property, plant and equipment . . . . .	<b>(37)</b>	112
Others . . . . .	—	(57)
	<b><u>40,904</u></b>	<b><u>1,149</u></b>

**Notes to the Financial Statements**  
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**8. FINANCE COSTS**

	<u>2015</u> USD'000	<u>2014</u> USD'000
Interest expense on borrowings wholly repayable within five years:		
Bank loans, overdrafts and other borrowings . . . . .	880	1,384
Obligation under finance leases . . . . .	8	13
Imputed interest expenses on commissions and certain promotion expenses payable (note 31) . . . . .	1,185	1,134
Total finance costs . . . . .	<u>2,073</u>	<u>2,531</u>

**9. OTHER EXPENSES**

Other expenses represented the listing expenditures incurred for the year ended December 31, 2014, but not capitalised for the Listing.

**10. PROFIT BEFORE TAXATION**

Profit before taxation has been arrived at after charging/(crediting):

	<u>2015</u> USD'000	<u>2014</u> USD'000
Staff costs, including Directors' remuneration (note 12):		
Salaries, wages and other benefits . . . . .	18,140	16,522
Share-based payment . . . . .	—	3,278
Contributions to employees provident fund . . . . .	1,735	1,653
Total staffs cost . . . . .	<u>19,875</u>	<u>21,453</u>
Amortisation of prepaid lease payments . . . . .	9	10
Depreciation of property, plant and equipment . . . . .	1,834	2,138
Amortisation of intangible assets . . . . .	45	82
Total depreciation and amortisation . . . . .	<u>1,888</u>	<u>2,230</u>
Auditors' remuneration . . . . .	217	289
Cost of inventories recognised as expenses . . . . .	26,875	37,551
Listing expenses (included in other expenses) . . . . .	—	5,287
Minimum lease payment under operating lease in respect of:		
Premises . . . . .	931	603
Equipment . . . . .	74	93
Net impairment losses recognised/(reversed) on:		
Trade receivables . . . . .	1,059	19
Other receivables . . . . .	<u>—</u>	<u>(5)</u>

**Notes to the Financial Statements**  
**31 December 2015**

**11. INCOME TAX EXPENSE**

	<u>2015</u> USD'000	<u>2014</u> USD'000
Current tax:		
Malaysian income tax .....	10,421	12,747
Other jurisdictions .....	898	1,200
	<u>11,319</u>	<u>13,947</u>
(Over)/Underprovision in prior years:		
Malaysian income tax .....	(976)	246
Other jurisdictions .....	195	1
	<u>(781)</u>	<u>247</u>
Deferred tax (note 23):		
Current .....	1,138	(663)
Attributable to changes in tax rates .....	(244)	—
	<u>894</u>	<u>(663)</u>
	<u>11,432</u>	<u>13,531</u>

Malaysian income tax is calculated at the statutory rate of 25% of the estimated taxable profit for the year.

The Finance (No. 2) Act, 2014 in Malaysia gazetted on 30 December 2014 enacts the reduction of corporate income tax rate from 25% to 24% with effect from year of assessment 2016 in Malaysia. Accordingly, the applicable tax rates to be used for the measurement of any applicable deferred tax in Malaysia will be the expected rates.

Indonesian and Singaporean income taxes are calculated at the statutory rate of 25% and 17% respectively.

Taxation arising from jurisdictions other than Indonesia and Singapore, is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for year can be reconciled to the profit before tax as follows:

	<u>2015</u> USD'000	<u>2014</u> USD'000
Profit before taxation .....	98,784	51,363
Tax at applicable statutory tax rate of 25% .....	24,696	12,841
Tax effect of income not taxable for tax purpose .....	(13,406)	(1,289)
Tax effect of expenses not deductible for tax purpose .....	1,334	3,287
(Over)/Underprovision in prior year .....	(781)	247
Tax effect of tax loss not recognised .....	—	6
Utilisation of tax losses previously not recognised .....	—	(637)
Decrease in opening deferred taxation resulting from a decrease in applicable tax rate .....	(244)	—
Effect of different tax rate of subsidiaries operating in other jurisdictions .....	(140)	(660)
Others .....	(27)	(264)
Income tax expense for the year .....	<u>11,432</u>	<u>13,531</u>

**Notes to the Financial Statements**  
**31 December 2015**

**12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS**

Directors' remuneration consists of:

	2015 USD'000	2014 USD'000
Directors' fees .....	141	285
Salaries and other benefits .....	1,286	1,284
Contributions to retirement benefit scheme .....	225	216
	<u>1,652</u>	<u>1,785</u>

Details of emoluments paid and payable to the Directors and employees of the Company are as follows:

(a) Directors' emoluments:

**2015**

Name of Director	Fees USD'000	Salaries and other benefits USD'000	Discretionary bonus USD'000	Contributions to retirement benefit scheme USD'000	Total USD'000
<b>Executive Directors</b>					
Tan Sri' Kong Hon Kong .....	—	474	307	145	926
Kong Yew Foong .....	—	109	33	25	167
Kong Yew Lian .....	—	125	16	14	155
Soo Wei Chian .....	—	151	71	41	263
<b>Non-Executive Directors</b>					
Dato' Fu Ah Kiow @ On (Fu) Soon Guan .....	45	—	—	—	45
Li Gabriel .....	3	—	—	—	3
Ang Teck Shang .....	3	—	—	—	3
Tse Po Shing, Andy .....	3	—	—	—	3
<b>Independent Non-Executive Directors</b>					
Tan Sri Chan Kong Choy .....	21	—	—	—	21
Ng Soon Lai @ Ng Siek Chuan .....	24	—	—	—	24
Foong Soo Hah .....	21	—	—	—	21
Anita Chew Cheng Im .....	21	—	—	—	21
	<u>141</u>	<u>859</u>	<u>427</u>	<u>225</u>	<u>1,652</u>

Notes to the Financial Statements  
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12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments:

2014

Name of Director	Fees USD'000	Salaries and other benefits USD'000	Discretionary bonus USD'000	Contributions to retirement benefit scheme USD'000	Total USD'000
<b>Executive Directors</b>					
Tan Sri' Kong Hon Kong .....	220	456	220	125	1,021
Kong Yew Foong .....	—	119	37	28	184
Kong Yew Lian .....	—	181	18	18	217
Soo Wei Chian .....	—	168	80	45	293
<b>Non-Executive Directors</b>					
Dato' Fu Ah Kiow @ On (Fu) Soon Guan .....	57	5	—	—	62
Li Gabriel .....	#	—	—	—	#
Ang Teck Shang .....	#	—	—	—	#
Tse Po Shing, Andy .....	#	—	—	—	#
<b>Independent Non-Executive Directors</b>					
Tan Sri Chan Kong Choy .....	2	—	—	—	2
Ng Soon Lai @ Ng Siek Chuan .....	2	—	—	—	2
Foong Soo Hah .....	2	—	—	—	2
Anita Chew Cheng Im .....	2	—	—	—	2
	<u>285</u>	<u>929</u>	<u>355</u>	<u>216</u>	<u>1,785</u>

# represent HKD2,713 (equivalent to approximately USD350)

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Group.

The non-executive directors and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

(b) Five highest paid individuals

The five highest paid individuals included 2 and 1 Directors of the Company for the years ended December 31, 2015 and 2014 respectively. The emoluments of the remaining 3 and 4 individuals for the years ended December 31, 2015 and 2014 respectively are as follows:

	2015 USD'000	2014 USD'000
Salaries and other benefits* .....	1,895	996
Discretionary bonuses .....	453	136
Contributions to retirement benefit scheme .....	213	39
Share-based payment .....	—	1,249
	<u>2,561</u>	<u>2,420</u>

**Notes to the Financial Statements**  
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**12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)**

(b) Five highest paid individuals (continued)

The five highest paid individuals' emoluments were within the following bands:

	No. of employee	
	2015	2014
HKD2,000,001 to HKD2,500,000 (equivalent to approximately USD258,048 to USD322,559) ..	2	1
HKD2,500,001 to HKD3,000,000 (equivalent to approximately USD322,560 to USD387,071) ..	—	1
HKD3,000,001 to HKD3,500,000 (equivalent to approximately USD387,072 to USD451,584) ..	1	—
HKD4,000,001 to HKD4,500,000 (equivalent to approximately USD516,096 to USD580,608) ..	—	1
HKD5,000,001 to HKD5,500,000 (equivalent to approximately USD645,120 to USD709,632) ..	1	—
HKD7,000,001 to HKD7,500,000 (equivalent to approximately USD903,168 to USD967,679) ..	1	—
HKD7,500,001 to HKD8,000,000 (equivalent to approximately USD967,680 to USD1,032,191) ..	—	1
HKD9,000,001 to HKD9,500,000 (equivalent to approximately USD1,161,215 to USD1,225,727) ..	—	1
	<u>5</u>	<u>5</u>

\* Salaries and other benefits include basic salaries, allowances, incentives and benefits in kind.

During the reporting periods, no emoluments were paid by the Group to the Directors nor five highest paid individuals, as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors waived any emoluments during the reporting periods.

**13. EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per ordinary share attributable to the owners of the Company is based on the following data:

	2015	2014
	USD'000	USD'000
Profit for the year attributable to owners of the Company .....	86,837	35,764
	Number of ordinary shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share .....	2,698,886	2,050,361
Effects of dilutive potential ordinary shares—Management warrants/share rights/sales agent share options .....	13,861	7,956
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share .....	<u>2,712,747</u>	<u>2,058,317</u>



**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**
**Notes to the Financial Statements**  
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**14. DIVIDENDS**

Dividends recognised as distribution during the year:

	<u>2015</u> <u>USD'000</u>	<u>2014</u> <u>USD'000</u>
2014 interim dividends:		
RM26,000 per each of ordinary share, class A share and class B share . . . . .	—	7,964
RM0.74 per each of ordinary share, class A share and class B share . . . . .	—	11,332
2014 final dividend:		
HKD0.05 per each of ordinary share . . . . .	<b>17,412</b>	—
2015 interim dividend:		
HKD0.03 per each of ordinary share . . . . .	<b>10,447</b>	—
	<u><b>27,859</b></u>	<u>19,296</u>

The Board has recommended a final dividend of HKD0.05 per ordinary share for the year ended December 31, 2015. The proposed final dividend will be paid on June 23, 2016 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on May 25, 2016. The consolidated financial statements for the year ended December 31, 2015 do not reflect this dividend. This dividend will be accounted for in equity as an appropriation of retained earnings during the financial year ending December 31, 2016.

**15. PROPERTY, PLANT AND EQUIPMENT**

	<u>Buildings</u> <u>USD'000</u>	<u>Leasehold land and building</u> <u>USD'000</u>	<u>Plant and machinery</u> <u>USD'000</u>	<u>Furniture and fittings</u> <u>USD'000</u>	<u>Office equipment</u> <u>USD'000</u>	<u>Office renovations</u> <u>USD'000</u>	<u>Motor vehicles</u> <u>USD'000</u>	<u>Building in construction</u> <u>USD'000</u>	<u>Total</u> <u>USD'000</u>
<b>Cost</b>									
As of January 1, 2014 . . . . .	9,937	848	800	2,455	5,765	2,230	4,716	—	26,751
Exchange adjustments . . . . .	(628)	(36)	(60)	(163)	(378)	(135)	(287)	(24)	(1,711)
Additions . . . . .	—	—	68	193	737	189	1,049	377	2,613
Reclassification . . . . .	—	—	136	29	—	(165)	—	—	—
Disposal/written off . . . . .	—	—	(7)	(44)	(130)	(30)	(828)	—	(1,039)
As of December 31, 2014 . . . . .	9,309	812	937	2,470	5,994	2,089	4,650	353	26,614
Exchange adjustments . . . . .	(1,728)	(110)	(187)	(449)	(1,150)	(350)	(894)	(75)	(4,943)
Additions . . . . .	—	—	193	103	694	95	878	101	2,064
Acquired on acquisition of business . . . . .	—	—	2	18	60	6	48	—	134
Disposal/written off . . . . .	—	(129)	(147)	(157)	(506)	(411)	(354)	—	(1,704)
As of December 31, 2015 . . . . .	<u>7,581</u>	<u>573</u>	<u>798</u>	<u>1,985</u>	<u>5,092</u>	<u>1,429</u>	<u>4,328</u>	<u>379</u>	<u>22,165</u>
<b>Accumulated depreciation</b>									
As of January 1, 2014 . . . . .	2,179	189	480	1,747	4,234	1,505	2,849	—	13,183
Exchange adjustments . . . . .	(152)	(9)	(35)	(117)	(283)	(112)	(167)	—	(875)
Provided for the year . . . . .	235	25	120	200	695	268	595	—	2,138
Reclassification . . . . .	—	—	4	—	—	(4)	—	—	—
Eliminated on disposal/ written off . . . . .	—	—	(6)	(31)	(120)	(14)	(579)	—	(750)
As of December 31, 2014 . . . . .	2,262	205	563	1,799	4,526	1,643	2,698	—	13,696
Exchange adjustments . . . . .	(437)	(24)	(117)	(318)	(863)	(300)	(526)	—	(2,585)
Provided for the year . . . . .	197	9	110	129	692	98	599	—	1,834

Notes to the Financial Statements  
31 December 2015

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	Leasehold land and building	Plant and machinery	Furniture and fittings	Office equipment	Office renovations	Motor vehicles	Building in construction	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Eliminated on disposal/ written off .....	—	(18)	(114)	(148)	(474)	(376)	(309)	—	(1,439)
As of December 31, 2015 .....	2,022	172	442	1,462	3,881	1,065	2,462	—	11,506
<b>Carrying values</b>									
At December 31, 2014 .....	7,047	607	374	671	1,468	446	1,952	353	12,918
At December 31, 2015 .....	5,559	401	356	523	1,211	364	1,866	379	10,659

The above items of property, plant and equipment other than building in construction which is not depreciated, are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	over the remaining term of lease ranging from 50 to 66 years
Leasehold land and building	over the remaining lease term of the land ranging from 20 to 74 years
Plant and machinery	5 to 10 years
Furniture and fittings	over the shorter of the remaining lease term and useful life of furniture and fittings ranging from 4 to 10 years
Office equipment	2 to 10 years
Office renovations	over the shorter of the remaining lease term and useful life of office renovations ranging from 5 to 10 years
Motor vehicles	4 to 10 years

Included in property, plant and equipment of the Group are fully depreciated property, plant and equipment which are still in use, with an aggregate cost of approximately USD6,969,000 and USD7,227,000 as of December 31, 2015 and 2014 respectively.

The carrying value of leasehold land and buildings comprises properties located on:

	2015 USD'000	2014 USD'000
Land and buildings in Malaysia:		
Long-term lease .....	483	604
Medium-term lease .....	5,368	6,807
Land and buildings outside Malaysia:		
Medium-term lease .....	109	243
	5,960	7,654

Included in the carrying amount of motor vehicles include an amount of approximately USD56,000 and USD253,000 as of December 31, 2015 and 2014, respectively in respect of assets held under finance leases.

Property, plant and equipment of the Group has included USD625,000 and USD238,000 (2014: USD726,000 and USD231,000) held under the trust funds in relation to pre-need funeral service contracts and maintenance service contracts, respectively as disclosed in note 45.

**Notes to the Financial Statements**  
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**16. PREPAID LEASE PAYMENTS**

	<u>2015</u> <u>USD'000</u>	<u>2014</u> <u>USD'000</u>
Analysed for reporting purpose as:		
Current asset .....	9	10
Non-current asset .....	<u>208</u>	<u>267</u>
	<u>217</u>	<u>277</u>

The Group's prepaid lease payments comprise:

	<u>2015</u> <u>USD'000</u>	<u>2014</u> <u>USD'000</u>
Leasehold land in Malaysia:		
Medium-term lease .....	217	277

**17. INTANGIBLE ASSETS**

	<u>Trademark (i)</u> <u>USD'000</u>	<u>Development right (ii)</u> <u>USD'000</u>	<u>Goodwill (iii)</u> <u>USD'000</u>	<u>Total</u> <u>USD'000</u>
<b>Cost</b>				
As of January 1, 2014 .....	8,168	3,303	—	11,471
Exchange adjustments .....	<u>(516)</u>	<u>(138)</u>	<u>—</u>	<u>(654)</u>
As of December 31, 2014 .....	7,652	3,165	—	10,817
Acquired on acquisition of business .....	—	—	3,789	3,789
Exchange adjustments .....	<u>(1,420)</u>	<u>(600)</u>	<u>(572)</u>	<u>(2,592)</u>
As of December 31, 2015 .....	<u>6,232</u>	<u>2,565</u>	<u>3,217</u>	<u>12,014</u>
<b>Accumulated amortisation</b>				
As of January 1, 2014 .....	—	—	—	—
Charge for the year .....	—	82	—	82
Exchange adjustments .....	<u>—</u>	<u>(5)</u>	<u>—</u>	<u>(5)</u>
As of December 31, 2014 .....	—	77	—	77
Charge for the year .....	—	45	—	45
Exchange adjustments .....	<u>—</u>	<u>(18)</u>	<u>—</u>	<u>(18)</u>
As of December 31, 2015 .....	<u>—</u>	<u>104</u>	<u>—</u>	<u>104</u>
<b>Carrying values</b>				
As of December 31, 2014 .....	<u>7,652</u>	<u>3,088</u>	<u>—</u>	<u>10,740</u>
As of December 31, 2015 .....	<u>6,232</u>	<u>2,461</u>	<u>3,217</u>	<u>11,910</u>

**(i) Trademark**

The trademark has an indefinite legal life but is renewable every 10 years at minimal cost. The Directors are of the opinion that the Group would renew the trademark continuously and has the ability to do so. As a result, the trademark is considered by the Directors as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite, and it will be tested for impairment annually and whenever there is an indication that it may be impaired.

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**17. INTANGIBLE ASSETS (continued)**

The recoverable amount of the trademark is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period and a pre-tax discount rate of 11% (2014: 8.5%). Cash flow beyond that five-year period has been extrapolated using a steady 3% (2014: 3%) growth rate. The growth rate does not exceed the long-term average growth rate for the market in which the Group operates.

**(ii) Development right**

This represents development right arrangement for development and operation of cemeteries business on certain pieces of freehold and leasehold cemetery land provided by the landowners acquired by the Group in a business combination. It is expected that the cost will be recovered from future income derived from the sales of burial plots and niches developed in the cemeteries.

As a result, the carrying amount of development right is reduced at the end of the reporting period for a portion calculated based on area of burial plots and niches sold in that period compared to the total developable area of the cemetery land.

**(iii) Goodwill**

This goodwill arose from the acquisition of the tomb construction business of WFS Memorial Tomb Management Sdn. Bhd. and Wong Chen Hoong and Wang Siew Yuen. The goodwill is attributable mainly to the skills and technical talents of the acquired business's assembled work force and the synergies expected to be achieved from integrating the business unit into the Group's existing business and has been allocated to the CGUs in the Malaysia's burial services—tomb division. None of the goodwill arising on this acquisition is expected to be deducted for tax purposes.

***Key assumptions used in value-in-use calculations***

The recoverable amounts of a CGU is determined based on value-in-use calculations using cash flow projections based on financial forecasts approved by Directors covering a five (5) year period. Cash flows beyond the five-year period have been extrapolated using estimated growth rates of 6.19%.

The following describes the key assumptions on which the Directors has based its cash flow projections to undertake impairment testing of goodwill:

- a. There will be no material changes in the structure and principal activities of the Group.
- b. Cost/Price inflation—there will not be any significant increase in the prices and supply of materials, wages and other related costs, resulting from industrial dispute, adverse changes in the economic conditions or other abnormal factors, which will adversely affect the operations of the Group.
- c. Discount rate—pre-tax of 11%.
- d. Interest rates—the interest rates on the existing financing facilities will prevail.

The Directors believe that no reasonable possible changes in any of the key assumptions above would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

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18. LAND AND DEVELOPMENT EXPENDITURE

	2015	2014
	USD'000	USD'000
Land cost . . . . .	46,948	8,292
Land and development expenditure . . . . .	6,271	5,926
	<u>53,219</u>	<u>14,218</u>

	Land	Land and development expenditure	Total
	USD'000	USD'000	USD'000
<b>CARRYING VALUE</b>			
At January 1, 2014 . . . . .	2,814	6,188	9,002
Additions . . . . .	6,042	—	6,042
Exchange adjustments . . . . .	(564)	(262)	(826)
At December 31, 2014 . . . . .	8,292	5,926	14,218
Additions . . . . .	45,376	6,437	51,813
Acquired on acquisitions of a subsidiary . . . . .	351	—	351
Transfer to inventories . . . . .	(1,582)	(5,688)	(7,270)
Exchange adjustments . . . . .	(5,489)	(404)	(5,893)
At December 31, 2015 . . . . .	<u>46,948</u>	<u>6,271</u>	<u>53,219</u>

The land and development expenditure are presented as non-current assets and represent the land area which no development activities have been carried out or where development activities are not expected to be completed or realised within the normal operating cycle.

The carrying amount of land cost as well as land and development expenditure comprises freehold land in Malaysia and short lease in Singapore.

During the year ended December 31, 2015, interest charged by non-controlling interest amounting to approximately USD6,000 has been capitalised as part of the land cost.

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**19. INVESTMENT IN SUBSIDIARIES**

The direct and indirect interests in the following subsidiaries of the Company at end of the reporting period are as follows:

Name of company	Place of incorporation and operation	Issued and fully paid-up share capital	Proportion of nominal value of the issued share capital and voting power held by the Company		Principal activities
			2015	2014	
			%	%	
Asia Premier Propartners Sdn. Bhd.*	Malaysia	RM2	100	100	Provision for management services
Blissful World Sdn. Bhd.*	Malaysia	RM100	100	100	Investment holding
Century Precepts Sdn. Bhd.*	Malaysia@	RM2	100	100	Inactive
Classic Cottage Sdn. Bhd.*	Malaysia	RM2	100	100	Investment holding
Clear Harbour International Limited*	British Virgin Islands@	USD1	100	—	Inactive
Eagle Heritage Limited*	British Virgin Islands	USD1	100	100	Investment holding
Essential Scope Sdn. Bhd.*	Malaysia	RM3	100	100	Investment holding (Management services in year 2014)
Everest Fairway Sdn. Bhd.*	Malaysia	RM2	100	—	Development of cemeteries, and construction and sales of tombs
Future Spectrum Sdn. Bhd.	Malaysia	RM10,000	100	—	Development of cemeteries, and construction and sales of tombs
Global Faith (Hong Kong) Limited* 寰信(香港)有限公司	Hong Kong	HKD1	100	—	Marketing agent of burial plots and niches
Global Hill (Hong Kong) Limited* 世峰(香港)有限公司	Hong Kong@	HKD1	100	—	Inactive
Harmony Maple Sdn. Bhd.*	Malaysia@	RM2	100	—	Inactive
Harvest China Holdings Limited* 加茂集團有限公司	Hong Kong	HKD30,000	95	95	Investment in real and personal property
Kenmatrix Sdn. Bhd.*	Malaysia@	RM2	100	—	Inactive
Lead Capital Investments Limited*	British Virgin Island@	USD1	100	—	Inactive
Mount Prajna Limited* <sup>1</sup>	Singapore	N/A	—	—	Own and operate a columbarium and sales of niches and related services

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**19. INVESTMENT IN SUBSIDIARIES (continued)**

Name of company	Place of incorporation and operation	Issued and fully paid-up share capital	Proportion of nominal value of the issued share capital and voting power held by the Company		Principal activities
			2015	2014	
			%	%	
Nirvana Asia Sdn. Bhd.	Malaysia	RM1,000,000	<b>100</b>	100	Investment holding
Nirvana Bishan Pte Ltd*	Singapore@	SGD2	<b>100</b>	100	Inactive
Nirvana Business Consultancy Huizhou Co. Ltd.*# 富貴生命商業信息諮詢(惠州)有限公司	PRC	RMB500,000	<b>100</b>	—	Marketing agent of burial plots and niches
Nirvana Care Sdn. Bhd. (formerly known as NV Care Sdn. Bhd.)	Malaysia	RM5,000,000	<b>100</b>	100	Sales of funeral packages
Nirvana Center Klang Sdn. Bhd. (formerly known as Nirvana Memorial Park (Templer) Sdn. Bhd.)*	Malaysia	RM2	<b>100</b>	100	Development of columbarium complexes and funeral home, and sales of niches and funeral services
Nirvana Central Park Sdn. Bhd. (formerly known as Nirvana Memorial Park (Klang) Sdn. Bhd.)*	Malaysia	RM2	<b>100</b>	100	Development of cemeteries, and construction and sales of tombs
Nirvana China Sdn. Bhd.*	Malaysia@	RM2	<b>100</b>	100	Inactive
Nirvana Holdings Berhad*	Malaysia	RM1,000,000	<b>100</b>	100	Development of cemeteries, and sales of burial plots and niches
Nirvana KL Berhad (formerly known as Combo Acres Sdn. Bhd.)*	Malaysia	RM1,000,001	<b>100</b>	100	Development of columbarium complexes and sales of niches
Nirvana Memorial Garden Pte. Ltd.*	Singapore	SGD1,000,000	<b>100</b>	100	Marketing agent of bereavement products and services
Nirvana Memorial Garden Co., Ltd.*	Thailand	Class A shares of Thai Baht (“THB”) 2,000,000 Class B preference shares of THB1,950,000	<b>49.37</b>	49.37	Investment holding



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19. INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and operation	Issued and fully paid-up share capital	Proportion of nominal value of the issued share capital and voting power held by the Company		Principal activities
			2015	2014	
			%	%	
Nirvana Memorial Park Co., Ltd.* <sup>3</sup>	Thailand	Class A shares of THB4,000,000 Class B preference shares of THB2,100,000 Class C shares of THB3,900,000	<b>69.12</b>	49.37	Sales and development of cemetery, and construction and sale of tombs
Nirvana Memorial Park (Bukit Mertajam) Berhad (formerly known as Blissful Memorial Park Berhad)*	Malaysia	RM1,000,001	<b>100</b>	100	Development of cemeteries, and construction and sales of tombs
Nirvana Memorial Park (Kulai) Sdn. Bhd.	Malaysia	RM3	<b>100</b>	100	Development of cemeteries, and construction and sales of tombs
Nirvana Memorial Park (Penang) Sdn. Bhd.	Malaysia	RM2	<b>100</b>	100	Development and construction of cemeteries and funeral complex, and sales of funeral service packages
Nirvana Memorial Park (Sabah) Sdn. Bhd.	Malaysia	RM2	<b>100</b>	100	Development of cemeteries, construction and sales of tombs, and sales of funeral service packages
Nirvana Memorial Park Sdn. Bhd.	Malaysia	RM350,001	<b>100</b>	100	Development of cemeteries, and construction and sales of tombs
Nirvana Memorial Park (Segamat) Sdn. Bhd.	Malaysia	RM3	<b>100</b>	100	Development of cemeteries, and construction and sales of tombs
Nirvana Memorial Park (Shah Alam) Sdn. Bhd.	Malaysia	RM2	<b>100</b>	100	Development of cemeteries, and construction and sales of tombs

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Name of company	Place of incorporation and operation	Issued and fully paid-up share capital	Proportion of nominal value of the issued share capital and voting power held by the Company		Principal activities
			2015	2014	
			%	%	
Nirvana Memorial Park (Sibu) Sdn. Bhd.	Malaysia	RM3	100	100	Development of cemeteries, construction and sales of tombs and sales of funeral service packages
Nirvana Memorial Park (Sg Petani) Berhad (formerly known as Blissful Memorial Park (SP) Berhad)*	Malaysia	RM1,068,001	100	100	Development of cemeteries, and construction and sales of tombs
Nirvana Memorial Park (Tiram) Sdn. Bhd.	Malaysia	RM100,001	100	77.5	Development of cemeteries, and construction and sales of tombs
Nirvana North Sdn. Bhd.*	Malaysia	RM2	100	100	Investment holding
Nirvana Singapore Pte. Ltd. (formerly known as NV Multi Corporation (Singapore) Pte. Ltd.)*	Singapore	SGD500,000	100	100	Investment holding
Nirvana Thailand Sdn. Bhd.*	Malaysia	RM2	100	100	Investment holding
Nir-Warna Development Sdn. Bhd.	Malaysia	RM5,000,000	100	100	Earthworks, construction and sales of tombs
NV Alliance Sdn. Bhd.	Malaysia	RM350,000	100	100	Marketing agent of burial plots, niches, pre-need funeral packages and sales of goods
NV Care (Penang) Sdn. Bhd.*	Malaysia	RM100	100	100	Investment holding
NV International (L) Limited*	Labuan	USD500,001	100	100	Investment holding
NV Jakarta Memorial Sdn. Bhd.*	Malaysia@	RM280,000	100	100	Inactive
NV Multi (Beijing) Sdn. Bhd.*	Malaysia@	RM2	100	100	Inactive
NV Multi Capital Sdn. Bhd.*	Malaysia@	RM100,000	100	80	Inactive
NV Multi Corporation Berhad*	Malaysia	RM1,151,103	100	100	Investment holding

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Name of company	Place of incorporation and operation	Issued and fully paid-up share capital	Proportion of nominal value of the issued share capital and voting power held by the Company		Principal activities
			2015	2014	
			%	%	
NV Multi Corporation (Hong Kong) Limited* 富貴集團(香港)有限公司	Hong Kong	HKD100,002	100	100	Investment holding
NV Propartners Sdn. Bhd.	Malaysia	RM2	100	100	Provision of management services
Paradigm Hectares Sdn. Bhd.*	Malaysia@	RM2	100	—	Inactive
Pinang Sepadan Sdn. Bhd.*	Malaysia	RM2	100	100	Investment holding
PJMC Sdn. Bhd.*	Malaysia@	RM100,000	100	100	Inactive
PT Alam Hijau Lestari*	Indonesia	Indonesia Rupiah (“IRD”) 5,000,000	51	51	Development of cemeteries, and construction and sales of tombs
PT Nirvana Memorial Nusantara*	Indonesia	IRD25,000,000	70	—	Development of cemeteries, and construction and sales of tombs
Puritrans Sdn. Bhd.*	Malaysia	RM2	100	100	Investment holding
Twin Eagle Garden Sdn. Bhd. (formerly known as Perpetual Kulai Garden Sdn. Bhd.)*	Malaysia@	RM2	100	100	Inactive
Venture Hill Limited*	British Virgin Islands@	USD1	100	—	Inactive
RHB Trustees Berhad (Account Nirvana Memorial Park Trust)*	Malaysia	N/A	100	100	Manage trust fund <sup>4</sup> for future maintenance services of Nirvana Memorial Park-Semenyih
RHB Trustees Berhad (Account Nirvana Memorial Park (Kulai-Johor) Trust)*	Malaysia	N/A	100	100	Manage trust fund <sup>4</sup> for future maintenance services of Nirvana Memorial Park Kulai-Johor
RHB Trustees Berhad (Account Nirvana Memorial Park (Sabah) Trust)*	Malaysia	N/A	100	100	Manage trust fund <sup>4</sup> for future maintenance services of Nirvana Memorial Park-Sabah

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**19. INVESTMENT IN SUBSIDIARIES (continued)**

Name of company	Place of incorporation and operation	Issued and fully paid-up share capital	Proportion of nominal value of the issued share capital and voting power held by the Company		Principal activities
			2015	2014	
			%	%	
RHB Trustees Berhad (Account Nirvana Memorial Park (Segamat) Trust)*	Malaysia	N/A	100	100	Manage trust fund <sup>4</sup> for future maintenance services of Nirvana Memorial Park-Segamat
RHB Trustees Berhad (Account Nirvana Memorial Park (Shah Alam) Sdn. Bhd. Trust)*	Malaysia	N/A	100	100	Manage trust fund <sup>4</sup> for future maintenance services of Nirvana Memorial Park-Shah Alam
RHB Trustees Berhad (Account Nirvana Memorial Park (Sibu) Trust)*	Malaysia	N/A	100	100	Manage trust fund <sup>4</sup> for future maintenance services of Nirvana Memorial Park-Sibu
RHB Trustees Berhad (Account Nirvana Memorial Park (Tiram) Sdn. Bhd. Trust)*	Malaysia	N/A	100	100	Manage trust fund <sup>4</sup> for future maintenance services of Nirvana Memorial Park-Tiram
RHB Trustees Berhad (Account Blissful Memorial Park Berhad Trust)*	Malaysia	N/A	100	100	Manage trust fund <sup>4</sup> for future maintenance services of Nirvana Memorial Park, Bukit Mertajam
RHB Trustees Berhad (Account Nirvana Memorial Park (Sg Petani) Berhad Trust (formerly known as Blissful Memorial Park (SP) Berhad))*	Malaysia	N/A	100	100	Manage trust fund <sup>4</sup> for future maintenance services of Nirvana Memorial Park, Sg Petani
RHB Trustees Berhad (Account Nirvana KL Berhad (formerly known as Combo Acres Sdn. Bhd.))*	Malaysia	N/A	100	—	Manage trust fund <sup>4</sup> for future maintenance services of Nirvana KL Berhad (formerly known as Combo Acres Sdn. Bhd.)

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19. INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and operation	Issued and fully paid-up share capital	Proportion of nominal value of the issued share capital and voting power held by the Company		Principal activities
			2015	2014	
			%	%	
RHB Trustees Berhad (Account NV Care Trust)*	Malaysia	N/A	100	100	Manage trust fund for pre-need funeral services package of Nirvana Care Sdn. Bhd. (formerly known as NV Care Sdn. Bhd.)
Rockwills Trustee Ltd. Nirvana Memorial Garden Trust*	Singapore	N/A	100	100	Manage trust fund <sup>4</sup> for future maintenance services of Nirvana Memorial Garden Pte Ltd
Yayasan Lestari Memorial Park*	Indonesia	N/A	100	100	Manage trust fund <sup>4</sup> for future maintenance services of PT Alam Hijau Lestari

\* Audited by other firms of auditors

@ As the company is inactive, therefore place of operation is not applicable

# A Wholly Foreign Owned Enterprise incorporated in PRC

Notes:

- (1) Mount Prajna Limited (“MPL”) was incorporated in Singapore as a company limited by guarantee with no share capital. The liabilities of the members of MPL are limited to SGD10 each as stated in its Memorandum of Association in the event of its winding up. The Group has 100% voting rights in the members’ meeting of MPL after the acquisition of the remaining 30% equity interest in Nirvana Memorial Garden Pte. Ltd. (“NMG Singapore”) in September 2014, has the ability to appoint all of its representative on the board of MPL and can control the relevant activities of MPL. Accordingly, MPL is accounted for as a wholly owned subsidiary of the Group. At December 31, 2015, Nirvana Singapore Pte. Ltd. (formerly known as NV Multi Corporation (Singapore) Pte. Ltd.) has acquired the 30% equity interest in NMG Singapore from Eagle Heritage Limited for a consideration of SGD30,888,000.
- (2) Nirvana Memorial Garden Co., Ltd. (“NMG Thailand”) was acquired in January 2014 on the subscription of 19,500 class B shares of THB100 each by the Group representing 49.37% of its nominal equity interest; however, as the sole holder of the class B preference shares, the Group is entitled to 90% of the dividends, 90.7% of the voting power, and the rights to nominate all directors for appointment to the board of NMG Thailand. Accordingly, the Group is able to exercise power over the relevant activities of NMG Thailand and NMG Thailand is regarded as a subsidiary of the Group.
- (3) The Group subscribed 39,000 class C shares in Nirvana Memorial Park Co., Ltd. (“NMP Thailand”) in December 2013 representing 39% of its voting power and equity interest and was accounted for as an associate of the Group as at December 31, 2013. In January 2014, NMP Thailand became a subsidiary of the Group when the Group obtained its controlling interests through acquisition of NMG Thailand, resulting in the Group having a nominal equity interest of 49.37% and dividend entitlement and voting power of 58.05% in NMP Thailand and the rights to appoint a majority member on its board. On July 28, 2015, NMG Thailand has acquired 40,000 class A shares in NMP Thailand representing 40% of its voting power and equity interest in NMP Thailand from the non-controlling interest of NMP Thailand for a cash consideration of THB18,842,400. Accordingly, the Group is now entitled to 69.12% of its nominal equity interest and 94.33% of its dividend entitlement and voting power.
- (4) The Group sets up a trust fund for each of its cemeteries in relation to treasury management for its maintenance service contracts and a trust fund in relation to treasury management for its pre-need funeral service contracts. Pursuant to trust deeds executed between the Group and the respective trustees, the Group is required to provide 100% fundings to each of the trust funds, and each of the trust funds is managed by a management committee consisting of five members of which two shall be nominated by the trustees while the remaining three including the chairman shall be nominated by the Group. The Group has the majority votes of the management committee and hence can direct all the relevant activities of, and is exposed to variable returns in, each of the trust funds. Therefore, the trust funds are considered as subsidiaries of the Group.

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**20. AVAILABLE-FOR-SALE INVESTMENTS**

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
Available-for-sale investments, stated at fair value, comprise the following:		
Listed equity investments:		
Equity securities listed in Malaysia	5,171	7,326
Equity securities listed in Hong Kong, China	3,636	3,188
Equity securities listed in other jurisdictions (including Singapore and Indonesia)	2,796	1,913
Unlisted debt investments:		
Debentures in Malaysia	480	597
Debentures in Singapore	1,756	1,289
Unit trust funds in Malaysia	17,369	15,429
At end of year	<u>31,208</u>	<u>29,742</u>
Analysed as:		
Current assets	17,369	15,429
Non-current assets	<u>13,839</u>	<u>14,313</u>
	<u>31,208</u>	<u>29,742</u>

Available-for-sales investments of the Group included USD16,476,000 and USD14,732,000 (2014: USD14,234,000 and USD15,508,000) held under the trust fund in relation to pre-need funeral service contracts and maintenance service contracts, respectively as disclosed in note 45.

The unlisted debentures carry interest at fixed rates ranging from 3.18% to 7.28% (2014: 5.13% to 5.30%) per annum. The original maturity of these unlisted debentures ranges from 10 years to perpetual and these unlisted debentures will not mature one year after the end of the reporting period.

The unit trust funds are very liquid investment and are an alternative to bank deposits.

**21. DEFERRED ACQUISITION COST**

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
At beginning of year	25,817	23,312
Additions during the year	19,184	15,716
Charged to profit or loss (included in selling and distribution expenses)	(13,142)	(11,466)
Exchange adjustments	(5,213)	(1,745)
At end of year	<u>26,646</u>	<u>25,817</u>
Analysed as:		
Current assets	9,084	7,935
Non-current assets	<u>17,562</u>	<u>17,882</u>
	<u>26,646</u>	<u>25,817</u>

Deferred acquisition cost includes direct costs incurred to acquire the sales contracts are charged to expense when the funeral services are performed or sales of products are recognised as revenue.

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**22. TRADE AND OTHER RECEIVABLES**

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Trade receivables .....	<b>56,966</b>	72,524
Less: Allowance for doubtful debts .....	<b>(1,712)</b>	(884)
	<b>55,254</b>	71,640
Other receivables .....	<b>2,969</b>	1,232
Less: Allowance for doubtful debts .....	<b>(91)</b>	(112)
	<b>2,878</b>	1,120
Deposits for acquisition of land for future cemetery development .....	<b>7,259</b>	8,261
Other deposits .....	<b>3,402</b>	2,919
Prepaid expenses .....	<b>5,293</b>	3,514
	<b>74,086</b>	87,454
Analysed as:		
Current assets .....	<b>40,070</b>	48,007
Non-current assets .....	<b>34,016</b>	39,447
	<b>74,086</b>	87,454

Trade receivables primarily comprise amounts receivable from the sale of burial services and receivables on rendering marketing agency services.

For sales of as-need burial services, funeral services and other related services, customers are required to pay at the point of transaction.

For sale of burial services and marketing agency services, the Group generally allows the customers to settle the contract sum over a 2 to 48 months interest-free period. The instalment receivables are discounted at an effective interest rates ranging from 6.8% to 13.5% (2014: 8.5%) per annum.

Billings are due immediately upon issuance except for instalment receivables which are due in accordance with agreed repayment plan.

The following is the aged analysis of trade receivables (before allowance) presented based on the invoice dates at the end of the reporting period:

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Instalment receivables not yet due .....	<b>54,261</b>	69,610
1–30 days .....	<b>496</b>	907
31–60 days .....	<b>125</b>	555
61–90 days .....	<b>331</b>	350
91–120 days .....	<b>10</b>	23
121 days and above .....	<b>1,743</b>	1,079
	<b>56,966</b>	72,524



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**22. TRADE AND OTHER RECEIVABLES (continued)**

**Ageing of trade receivables, net which are past due but not impaired**

	2015 USD'000	2014 USD'000
Past due for:		
1–30 days	496	907
31–60 days	125	555
61–90 days	331	350
91–120 days	10	23
121 days and above	31	195
	<u>993</u>	<u>2,030</u>

Trade receivables disclosed above include amounts that are past due at the end of the reporting period but not impaired which the Group has not recognised an allowance for doubtful debts as there has not been a significant change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date that credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

The Group has provided fully for receivable that specifically considered to be unrecoverable.

**Movement in allowance for doubtful debts**

	2015 USD'000	2014 USD'000
<b>Trade receivables:</b>		
At beginning of year	884	920
Impairment losses recognised on trade receivables	1,454	510
Impairment losses reversed	(395)	(491)
Amounts written off as uncollectible	(1)	—
Exchange adjustments	(230)	(55)
At end of year	<u>1,712</u>	<u>884</u>
<b>Other receivables:</b>		
At beginning of year	112	124
Impairment losses recognised on other receivables	—	4
Impairment losses reversed	—	(9)
Exchange adjustments	(21)	(7)
At end of year	<u>91</u>	<u>112</u>

Included in the allowance for doubtful debts as at December 31, 2015 and 2014 are individually fully impaired trade receivables with an aggregate balance of USD1,712,000 and USD884,000 respectively, and other receivables with an aggregate balance of USD91,000 and USD112,000

**Notes to the Financial Statements**  
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**22. TRADE AND OTHER RECEIVABLES (continued)**

**Movement in allowance for doubtful debts (continued)**

respectively, with reference to the historical experience of these receivables, the collection of these receivables may not be probable. The Group does not hold any collateral over these balances.

**23. DEFERRED TAXATION**

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

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Deferred tax assets .....	<b>8,995</b>	10,492
Deferred tax liabilities .....	<b>(6,508)</b>	(6,589)
	<u><b>2,487</b></u>	<u>3,903</u>

The following are the major deferred tax liabilities and assets recognised and movements thereon during the reporting period:

	Property, plant and equipment	Pre-need contracts under instalment arrangement	Inventories	Unused tax losses	Payables	Other financial assets	Fair value adjustments	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000 Note	USD'000
At January 1, 2014 .....	(562)	3,812	152	1,211	—	—	(1,135)	3,478
Credited/(Charged) to profit or loss for the year .....	(26)	55	64	63	675	(310)	142	663
Exchange adjustments ....	<u>37</u>	<u>(245)</u>	<u>(13)</u>	<u>(56)</u>	<u>(44)</u>	<u>20</u>	<u>63</u>	<u>(238)</u>
At December 31, 2014 ....	(551)	3,622	203	1,218	631	(290)	(930)	3,903
Credited/(Charged) to profit or loss for the year .....	233	353	(41)	(426)	(62)	(978)	27	(894)
Exchange adjustments ....	<u>81</u>	<u>(703)</u>	<u>(34)</u>	<u>(67)</u>	<u>(111)</u>	<u>142</u>	<u>170</u>	<u>(522)</u>
At December 31, 2015 ....	<u>(237)</u>	<u>3,272</u>	<u>128</u>	<u>725</u>	<u>458</u>	<u>(1,126)</u>	<u>(733)</u>	<u>2,487</u>

Note: Fair value adjustments mainly refer to the surplus on valuation of inventories upon acquisition of business of NV Multi Corporation Berhad ("NVMC") in 2010 and the surplus on valuation of development right and inventories upon acquisition of Nirvana Memorial Park (Bukit Martajam) Berhad (formerly known as Blissful Memorial Park Berhad) and Nirvana Memorial Park (Sg Petani) Berhad (formerly known as Blissful Memorial Park (SP) Berhad) in 2014.

The Group has recognised unused tax losses of approximately USD4,203,000 and USD7,078,000 as at December 31, 2015 and 2014, respectively, available for offsetting against future profits. The amount of unused tax losses is subject to agreement by the tax authorities.

As at December 31, 2015 and 2014, the aggregate amount of temporary differences associated with undistributed earnings of a subsidiary in Indonesia for which deferred tax liabilities have not been recognised was USD6,868,000, and USD7,863,000, respectively. No liability has been recognised in respect of these temporary differences as the Group has determined that those earnings will not be distributed in the near future.

**Notes to the Financial Statements**  
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**24. INVENTORIES**

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
Land and development expenditure for cemetery properties		
—under development	45,842	33,102
—completed development	67,699	70,331
Tomb work in progress	10,799	8,226
Others	2,168	1,916
	<u>126,508</u>	<u>113,575</u>

During the year ended December 31, 2015, interest charged by non-controlling interest amounting to USD134,000 (2014: USD98,000) has been capitalised as part of the cost of development expenditure for cemetery properties—under development.

**25. FINANCIAL ASSETS AT FVTPL**

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
Financial assets at FVTPL include:		
Unit trust funds in Malaysia	4,465	4,423
Unit trust funds in Singapore	6,593	25,307
	<u>11,058</u>	<u>29,730</u>

The investment is designated as FVTPL on initial recognition.

The unit trust funds are very liquid investment and are an alternative to bank deposits.

**26. OTHER FINANCIAL ASSETS**

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
Earn-out arrangement	8,615	2,661

Pursuant to a construction agreement entered into by the Group in June 2011, the Group was engaged to design and build a columbarium complex in Malaysia and the agreement contained an earn-out provision pursuant to which the construction consideration is contingent and determined based on a fixed rate per unit of niche sold.

The earn-out arrangement is classified as a derivative financial instrument and the fair value of the earn-out arrangement is determined by the use of discounted cash flow method that captures the present value of the expected future economic benefits that will flow to the Group arising from the contingent consideration at an appropriate discount rate. The above amounts include the Group's work in progress, net of the portion of proceeds from the sales or pre-sale of the columbarium complex collected by the Group as at the reporting date, as well as the earn out derivative.

**Notes to the Financial Statements**  
**31 December 2015**

**27. BANK BALANCES AND CASH AND CASH EQUIVALENTS**

	<u>2015</u>	<u>2014</u>
	<u>USD'000</u>	<u>USD'000</u>
Short-term deposits with banks (note i)		
—Pledged . . . . .	50,701	86
—Unpledged . . . . .	150,211	247,470
Cash on hand and at banks (note ii) . . . . .	28,708	24,064
	<b>229,620</b>	271,620
Deposits with maturity over three months with banks (note iii) . . . . .	(82,258)	(201,515)
Restricted cash with banks (note iv) . . . . .	(135)	—
Restricted funds (note v) . . . . .	(56,301)	(8,907)
Cash and cash equivalents . . . . .	<b>90,926</b>	61,198

Notes:

- i The short-term deposits with banks carry interest at market rates which range from 0.01% to 10.00% (2014: 0.05% to 10.00%) per annum. Certain of the deposits are pledged to secure bank guarantee facilities granted to subsidiaries.
- ii The Group's bank balances carry interest at market rates which range from 0.25% to 3.75% (2014: 0.58% to 1.25%) per annum.
- iii The deposits with maturity over three months with banks carry interest at market rates which range from 0.6% to 3.25% (2014: 0.62% to 10.0%) per annum and represent deposits with original maturity dates of 120 days to 368 days (2014: 90 days to 365 days) from inception. The whole amount is included in unpledged short-term deposits with licensed banks in note i above.
- iv The restricted cash with banks represents the Debt Service Reserve Account ("DSRA") used to secure the credit facilities granted as disclosed in note 35 and is non-interest bearing. The entire amount is included in cash on hand and at bank.
- v The restricted funds of the Group relate to:
  - pre-need funeral service contracts and maintenance service contracts are USD453,000 (2014: USD1,362,000) and USD5,146,000 (2014: USD7,545,000), respectively. Details of the trust arrangements are set out in note 45(a). The entire amount is included in unpledged short-term deposits with banks in note i above;
  - approximately USD50,702,000 (2014: Nil) which has been pledged as deposits to banks carrying market interest rates range from 0.65% to 3.85% (2014: Nil) to secure for banking facilities.

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**31 December 2015**

**28. SHARE CAPITAL**

	Ordinary shares		Class A shares		Class B shares		Total	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
	'000	USD'000	'000	USD'000	'000	USD'000	'000	USD'000
<b>Authorised:</b>								
Shares of USD1 each at January 1, 2014 . . . . .	30	30	13	13	7	7	50	50
Increase of authorised share capital (note a) . . .	318	318	142	142	70	70	530	530
Sub-division of 1 existing share of USD1 each to 100 shares of USD0.01 each (note a) . . . .	34,452	—	15,389	—	7,579	—	57,420	—
Conversion of class A and class B shares (note 29) . . . . .	23,200	232	(15,544)	(155)	(7,656)	(77)	—	—
Increase of authorised share capital (note b) . . .	3,942,000	39,420	—	—	—	—	3,942,000	39,420
Shares of USD0.01 each at December 31, 2014 and 2015 . . . . .	4,000,000	40,000	—	—	—	—	4,000,000	40,000
<b>Issued and fully paid:</b>								
Shares of USD1 each at January 1, 2014 . . . . .	1	1	@	@	^	^	1	1
Sub-division of 1 existing share of USD1 each to 100 shares of USD0.01 each (note a) . . . .	59	—	27	—	13	—	99	—
Bonus issues of 499 shares for each existing share held (note a) . . . . .	29,940	299	13,373	134	6,587	66	49,900	499
Exercise of warrants (note 29) . . . . .	—	—	1,806	18	889	9	2,695	27
Conversion of class A and class B shares (note 29) . . . . .	22,695	227	(15,206)	(152)	(7,489)	(75)	—	—
Issue of shares by capitalisation of share premium account . . . . .	1,971,401	19,714	—	—	—	—	1,971,401	19,714
Issue of shares at premium through initial public offerings . . . . .	674,699	6,747	—	—	—	—	674,699	6,747
Shares of USD0.01 each at December 31, 2014 . . . . .	2,698,795	26,988	—	—	—	—	2,698,795	26,988
Issue of ordinary shares pursuant to exercise of employee share rights . . . . .	142	1	—	—	—	—	142	1
Shares of USD0.01 each at December 31, 2015 . . . . .	2,698,937	26,989	—	—	—	—	2,698,937	26,989

@ represent 268 and USD268, respectively

^ represent 132 and USD132, respectively

(a) Pursuant to written resolutions of the members and the Directors of the Company dated June 30, 2014, the following share capital changes were effected:

- i. The authorised share capital of the Company was increased from USD50,000, represented by 30,000 ordinary shares of USD1 each, 13,400 class A shares of USD1 each and 6,600 class B shares of USD1 each, to USD580,000, represented by 348,000 ordinary shares of USD1 each, 155,440 class A shares of USD1 each and 76,560 class B shares of USD1 each;
- ii. Upon the increase of authorised share capital of the Company from USD50,000 to USD580,000 as stated in (i) above, the authorised and issued share capital of the Company was sub-divided from 348,000 ordinary shares of USD1 each, 155,440 class A shares of USD1 each and 76,560 class B shares of USD1 each

**Notes to the Financial Statements**  
**31 December 2015**

**28. SHARE CAPITAL (continued)**

to 34,800,000 ordinary shares of USD0.01 each, 15,544,000 class A shares of USD0.01 each and 7,656,000 class B shares of USD0.01 each; and

- iii. Following the sub-division of authorised share capital of the Company in (ii) above, there were bonus issues of 499 ordinary shares of USD0.01 each for each existing ordinary share of USD0.01 each held, 499 class A shares of USD0.01 each for each existing class A share of USD0.01 each held, and 499 class B shares of USD0.01 each for each existing class B share of USD0.01 each held.

- (b) Pursuant to written resolutions of the members and the Directors of the Company dated November 24, 2014, the authorised share capital of the Company was increased from USD580,000, represented by 58,000,000 ordinary shares of USD0.01 each to USD4,000,000, represented by 4,000,000,000 ordinary shares of USD0.01 each.

On December 16, 2014, an additional 1,971,401,065 shares were allotted and issued, credited as fully paid at par value, by way of capitalisation of share premium.

On December 17, 2014, the Company issued a total of 674,699,000 new ordinary shares of USD0.01 each at the price of HKD3.00 per share by means of initial public offering.

During the financial year, the Company issued a total of 142,000 new ordinary shares of USD0.01 each at the price of HKD1.52 per share pursuant to the exercise of share rights under the Employee Share Right Scheme.

All the new ordinary shares issued during the reporting period rank *pari passu* in all respects with the then existing ordinary shares of the Company.

**29. WARRANTS**

On October 25, 2013, in conjunction with the completion of acquisition of the entire equity interest in OA-Nirvana, the holder of class A shares in the Company, by an independent third party from Dermot Limited, the Company issued 36 class A warrants to OA-Nirvana pursuant to which OA-Nirvana is entitled to convert the class A warrants into class A shares of the Company on a one-to-one basis for an aggregate subscription price of USD13,646,476 (“**Class A Warrant(s)**”).

On January 13, 2014, the Company issued 18 class B warrants to TVL, the holder of class B shares in the Company, upon the completion of acquisition of the entire equity interest in TVL by another independent third party from Dermot Limited. The warrants are convertible into class B shares in the Company on a one-to-one basis for at an aggregate subscription price of USD6,721,399 (“**Class B Warrant(s)**”).

As these warrants are issued at nil consideration to its shareholders, the fair value of the Class A Warrants and Class B Warrants of approximately USD2,731,000 and USD1,003,000, respectively, are accounted for as deemed distributions to shareholders on the date of issuance.

The key terms related to Class A Warrants and Class B Warrants and valuation details of warrants at date of issuance are set out in Note 30 of Appendix I to the Company’s Prospectus dated December 4, 2014 issued for the purpose of global offering.

**Notes to the Financial Statements**  
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**29. WARRANTS (continued)**

Following the bonus share issuance of the Company on June 30, 2014, an additional 1,805,570 Class A Warrants and 889,311 Class B Warrants were granted by the Company to OA-Nirvana and TVL, respectively, pursuant to their anti-dilution rights under the respective purchaser warrant instruments.

On July 18, 2014, OA-Nirvana and TVL each exercised all of their respective Class A Warrants and Class B Warrants for consideration of USD13,646,476 and USD6,721,399, respectively, in exchange for 1,805,606 class A shares and 889,329 class B shares, respectively. As a result, OA-Nirvana and TVL then held 15,205,606 class A shares and 7,489,329 class B shares, respectively.

On September 8, 2014, OA-Nirvana and TVL each converted all of their respective 15,205,606 class A shares and 7,489,329 class B shares into ordinary shares of the Company on a one-to-one basis. The class A shares and class B shares were cancelled upon conversion into ordinary shares of the Company.

All the warrants were exercised during the year ended December 31, 2014.

**30. RESERVES**

	Share premium	Capital reserve	Investment revaluation reserve	Warrant reserve	Share- based payment reserve	Other reserve	Translation reserve	Retained earnings	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
As of January 1, 2014 . . .	—	276	(1,194)	2,731	1,342	—	(2,923)	49,567	49,799
Profit for the year . . . . .	—	—	—	—	—	—	—	35,764	35,764
Other comprehensive expense . . . . .	—	—	(245)	—	—	—	(4,609)	—	(4,854)
Total comprehensive (expenses)/ income for the year . . . . .	—	—	(245)	—	—	—	(4,609)	35,764	30,910
Dividend recognised as distributions . . . . .	—	—	—	—	—	—	—	(19,296)	(19,296)
Acquisition of additional interest in existing subsidiaries . . . . .	—	—	—	—	—	(18,594)	—	—	(18,594)
Bonus issue of shares . . .	—	—	—	—	—	—	—	(499)	(499)
Effect of share-based payment . . . . .	—	—	—	—	3,278	—	—	—	3,278
Deemed distribution to equity holders . . . . .	—	—	—	1,003	—	—	—	(1,003)	—
Exercise of warrants . . . .	24,075	—	—	(3,734)	—	—	—	—	20,341
Issue of shares by capitalisation of share premium . . . . .	(19,714)	—	—	—	—	—	—	—	(19,714)
Issue of shares at premium through initial public offerings . . . . .	254,293	—	—	—	—	—	—	—	254,293
Transaction costs attributable to issue to new shares . . . . .	(8,771)	—	—	—	—	—	—	—	(8,771)
<b>As of December 31, 2014 . . . . .</b>	<b>249,883</b>	<b>276</b>	<b>(1,439)</b>	<b>—</b>	<b>4,620</b>	<b>(18,594)</b>	<b>(7,532)</b>	<b>64,533</b>	<b>291,747</b>



## APPENDIX I

## FINANCIAL INFORMATION OF THE GROUP

### Notes to the Financial Statements 31 December 2015

#### 30. RESERVES (continued)

	Share premium	Capital reserve	Investment revaluation reserve	Share- based payment reserve	Other reserve	Translation reserve	Retained earnings	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
As of January 1, 2015	249,883	276	(1,439)	4,620	(18,594)	(7,532)	64,533	291,747
Profit for the year	—	—	—	—	—	—	86,837	86,837
Other comprehensive income/ (expense)	—	—	879	—	—	(62,172)	—	(61,293)
Total comprehensive (expenses)/ income for the year	—	—	879	—	—	(62,172)	86,837	25,544
Issue of ordinary shares pursuant to exercise of employee share rights	46	—	—	(19)	—	—	—	27
Lapse of share rights	—	—	—	(76)	—	—	76	—
Dividend recognised as distributions	—	—	—	—	—	—	(27,859)	(27,859)
Acquisition of additional interest in existing subsidiaries	—	—	—	—	(780)	—	—	(780)
As of December 31, 2015	249,929	276	(560)	4,525	(19,374)	(69,704)	123,587	288,679

Note: Capital reserve represents waiver of amount due to a former shareholder of a subsidiary in 2012, which was regarded as deemed contribution from the said shareholder.

#### 31. TRADE AND OTHER PAYABLES

	2015 USD'000	2014 USD'000
Trade payables	12,239	19,774
Other payables	26,642	10,262
Amount due to a Director (note 44(b))	—	206
Amount due to a non-controlling interests (note 44(b))	2,394	1,367
Accrued expenses	10,804	13,779
Customers' deposits and advance billings (note i)	44,507	46,480
Commission and promotion expenses payable (note ii)	14,063	11,344
	<u>110,649</u>	<u>103,212</u>
Analysed as:		
Current liabilities	107,667	100,455
Non-current liabilities	2,982	2,757
	<u>110,649</u>	<u>103,212</u>

Notes:

- Advances and deposits from customers principally arise from the pre-need sales of burial services under instalment plans and such amount will be recognised as revenue when the relevant revenue recognition criteria are met (note 3).
- The Group's obligations of commission and promotion payments under pre-need instalment sales of burial services arise upon contracts entered into with customers. Since the amount of payments to sales agents are associated with the timing of customers' receipts, the balance of sales agents' commission payable is discounted to its present value at 12.3% (2014: 8.5%) per annum based on the expected timing of cash outflow.

**Notes to the Financial Statements**  
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**31. TRADE AND OTHER PAYABLES (continued)**

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of reporting period:

	<u>2015</u> <u>USD'000</u>	<u>2014</u> <u>USD'000</u>
Due within:		
0–30 days .....	<b>9,768</b>	16,944
31–60 days .....	<b>1,438</b>	1,894
61–90 days .....	<b>357</b>	62
91 days and above .....	<b>676</b>	874
	<u><b>12,239</b></u>	<u>19,774</u>

The average credit term period on purchase of goods is 30 to 90 days.

Other payables of the Group represented the balance of land acquisition price, the balance of business and assets of a tomb contractor acquisition consideration, miscellaneous payables and accrued expenses as at the end of the reporting period.

**32. DEFERRED PRE-NEED FUNERAL CONTRACT REVENUE**

	<u>2015</u> <u>USD'000</u>	<u>2014</u> <u>USD'000</u>
At beginning of year .....	<b>80,815</b>	71,523
Amounts received during the year .....	<b>20,270</b>	20,528
Exercised and recognised during the year .....	<b>(6,703)</b>	(5,773)
Exchange adjustments .....	<b>(16,225)</b>	(5,463)
At end of year .....	<u><b>78,157</b></u>	<u>80,815</u>
Analysed as:		
Current liabilities .....	5,862	6,061
Non-current liabilities .....	72,295	74,754
	<u><b>78,157</b></u>	<u>80,815</u>

The Group enters into pre-need funeral contracts with customers and allows settlement to be made by monthly instalments over 2 to 48 months interest-free period. The Group does not recognise revenue until the relevant services are performed, which typically take place after the entire sales price is received.

As at December 31, 2015 and 2014, such contracts with an aggregate contract sum of approximately USD88,955,000 and USD99,405,000, respectively, have not yet been completed, of which deposits and instalments of approximately USD78,157,000 and USD80,815,000, respectively, have been received by the Group and recognised as liabilities under deferred pre-need funeral contract revenue on the consolidated statement of financial position.

**Notes to the Financial Statements**  
**31 December 2015**

**33. DEFERRED MAINTENANCE INCOME**

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
At beginning of year . . . . .	34,883	29,423
Recognised during the year . . . . .	3,723	7,981
Released during the year . . . . .	(226)	(267)
Exchange adjustments . . . . .	(7,745)	(2,254)
At end of year . . . . .	<u>30,635</u>	<u>34,883</u>
Analysed as:		
Current liabilities . . . . .	226	267
Non-current liabilities . . . . .	<u>30,409</u>	<u>34,616</u>
	<u>30,635</u>	<u>34,883</u>

**34. OBLIGATIONS UNDER FINANCE LEASES**

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
Analysed for reporting as:		
Current liabilities . . . . .	25	88
Non-current liabilities . . . . .	<u>20</u>	<u>81</u>
	<u>45</u>	<u>169</u>

It is the Group's policy to lease certain of its motor vehicles and office equipment under finance leases. The average term of leases is 5 years (2014: 5 to 10 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5.41% to 7.30% (2014: 4.02% to 7.30%) per annum.

	<u>Minimum Lease Payments</u>	
	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
Amounts payable under finance leases		
Within one year . . . . .	27	98
In more than one year but not more than two years . . . . .	11	49
In more than two years but not more than five years . . . . .	<u>13</u>	<u>39</u>
	51	186
Less: Future finance charges . . . . .	<u>(6)</u>	<u>(17)</u>
Present value of lease obligations . . . . .	45	169
Less: Amount due for settlements within 12 months (shown under current liabilities) . . . . .	<u>(25)</u>	<u>(88)</u>
Amount due for settlement after 12 months . . . . .	<u>20</u>	<u>81</u>

The Group's obligations under finance leases are secured by a charge over the leased assets disclosed in note 15.

**Notes to the Financial Statements**  
**31 December 2015**

**35. BORROWINGS**

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
Secured:		
Revolving credit .....	<u>46,015</u>	<u>56,780</u>
Carrying amount repayable:		
Within one year .....	<u>46,015</u>	<u>56,780</u>

The revolving credit facility of SGD75,000,000 (equivalent to approximately USD53,095,000) was granted to Nirvana Singapore Pte. Ltd. (formerly known as NV Multi Corporation (Singapore) Pte. Ltd. (“**NV Singapore**”) by a foreign bank and is secured by a corporate guarantee and a fixed deposit amounting to approximately USD50,608,000 (equivalent to approximately HKD392,217,000) from the Company, a fixed and floating charge over all the assets, rights and interests, both present and future, of NV Singapore, and an assignment and charge of DSRA (note 27(iv)) by NV Singapore. The revolving credit facility expires 12 months from the first drawdown date and bears interest at Singapore Swap Offering Rate plus rates ranging from 0.35% to 1.50% (2014: 1.50%) per annum. For the financial year ended December 31, 2015, the revolving credit facility bears interest at rates ranging from 0.94% to 2.46% (2014: 1.63% to 2.05%) per annum.

**36. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 35, net of cash and cash equivalents and equity attributable to owners of the Company which comprises issued share capital, reserves and retained earnings.

The Directors of the Company review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

**37. FINANCIAL INSTRUMENTS**

**Categories of financial instruments**

	<u>2015</u>	<u>2014</u>
	USD'000	USD'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents) .....	<u>287,752</u>	344,380
Financial assets designated at FVTPL .....	<u>11,058</u>	29,730
Available-for-sale investments .....	<u>31,208</u>	29,742
Derivative financial assets .....	<u>8,615</u>	2,661
<b>Financial liabilities</b>		
Amortised cost .....	<u>101,398</u>	<u>99,902</u>

**Notes to the Financial Statements**  
**31 December 2015**

**37. FINANCIAL INSTRUMENTS (continued)**

**Financial risk management objective and policies**

The Group's major financial instruments include restricted cash, bank balances and cash, borrowings, trade and other receivables, trade and other payables, amounts due to non-controlling interests, obligations under finance leases, financial assets at FVTPL, available-for-sale investments and derivative financial instruments.

The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk**

**(i) Currency risk**

The primary economic environment in which the Company's principal subsidiaries operate is Malaysia and their functional currency is Malaysian Ringgit.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities other than in the functional currency of the group entity at the end of the reporting period are immaterial, other than certain short-term deposits with banks are denominated in USD and HKD.

If the currency of the respective short-term deposits had been 3% higher/lower, the post-tax profit of the Group for the year will increase/decrease by:

	2015	2014
	USD'000	USD'000
USD .....	689	—
HKD .....	4,933	—

There is no material impact for the year ended December 31, 2014 as the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities other than in the functional currency of the group entity at the end of the reporting period are immaterial.

**(ii) Interest rate risk**

The Group is exposed to fair value interest rate risk in relation to interest free instalments receivables (note 22), floating-rate bank borrowings (note 35), advances from non-controlling interests (note 44(b)).

The Group is exposed to cash flow interest rate risk in relation to variable rates bank balances and bank borrowings during the year. It is the Group's policy to keep certain of its bank balances and borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Company does not have material interest-bearing balances at the end of the reporting period, such that it does not have significant cash flow interest rate risk.

**Notes to the Financial Statements**  
**31 December 2015**

**37. FINANCIAL INSTRUMENTS (continued)**

**Market risk (continued)**

**(ii) Interest rate risk (continued)**

The management considered that interest rate risk in bank balances is insignificant and therefore they are excluded from the following sensitivity analysis.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Singapore Swap Offering Rate arising from the Group's borrowings.

*Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2015 and 2014 would decrease/increase by USD239,000 and USD296,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

**(iii) Other price risk**

The Group is exposed to price risk through its investments in listed equity securities, debentures and unit trust funds. The management manages this exposure by maintaining a portfolio of investments with different risks and diversifies its portfolio in various financial institutions.

*Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity and unit trust fund price risks at the reporting date. The carrying amounts of the Group's debentures at the end of the reporting period are immaterial, and no summary table and sensitivity analysis are presented.

If the prices of the respective listed equity instruments had been 6% higher/lower and the unit trust fund price had been 6% higher/lower the pre-tax profit or investment valuation reserve will increase/decrease by:

	2015	2014
	USD'000	USD'000
Pre-tax profit (note i) .....	<b>663</b>	1,784
Investment valuation reserve (note ii) .....	<b>1,738</b>	1,671

Notes:

(i) This is attributable to the changes in fair value of financial assets at FVTPL.

(ii) This is attributable to the changes in fair value of other available-for-sale investments.

**Notes to the Financial Statements**  
**31 December 2015**

**37. FINANCIAL INSTRUMENTS (continued)**

**Credit risk**

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period.

The Group generally allows customers for pre-need cemetery merchandise to settle the contract sum over a 2 to 48 months interest-free period upon receipt of deposit of 10% to 20% of the total contract sum when the contracts are signed. Allowance is made for the excess of the carrying amount of outstanding receivables over the present value of estimated future cash flows discounted at original effective interest rate. In addition, interment and usage of products sold are only available when the contract sum is fully settled. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. The Group's trade receivables consist of a large number of customers.

**Liquidity risk**

The Group's exposure to liquidity risk is minimal and is managed by maintaining adequate liquid cash balances and banking facilities, by continuous monitoring of forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest yield at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments.

The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement.

When the amount payable is not fixed, the amount disclosed has been determined by reference to the interest rates existing at the end of the reporting period.



Notes to the Financial Statements  
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37. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

*Liquidity tables*

	Notes	Weighted average effective interest rate %	On demand USD'000	Within 1 year USD'000	1 to 5 years USD'000	Total undiscounted cash flows USD'000	Carrying amount USD'000
<b>At December 31, 2015</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables . . . . .	31	—	—	49,962	2,982	52,944	52,944
Amount due to non-controlling interests . . . . .	31	10.50	2,646	—	—	2,646	2,394
Obligations under finance leases . . . .	34	5.41–7.30	—	27	24	51	45
Borrowings—variable . . . . .	35	0.94–2.46	—	46,798	—	46,798	46,015
			<u>2,646</u>	<u>96,787</u>	<u>3,006</u>	<u>102,439</u>	<u>101,398</u>
<b>At December 31, 2014</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables . . . . .	31	—	206	38,623	2,757	41,586	41,586
Amount due to non-controlling interests . . . . .	31	7.25	1,558	—	—	1,558	1,367
Obligations under finance leases . . . .	34	4.02–7.30	—	98	88	186	169
Borrowings—variable . . . . .	35	1.63–2.05	—	57,825	—	57,825	56,780
			<u>1,764</u>	<u>96,546</u>	<u>2,845</u>	<u>101,155</u>	<u>99,902</u>

**Fair value measurements of financial instruments**

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

## Notes to the Financial Statements

31 December 2015

## 37. FINANCIAL INSTRUMENTS (continued)

## Fair value measurements of financial instruments (continued)

## (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/Financial liabilities	Fair value as at 2015	2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Unit trust funds classified as financial assets at FVTPL in the consolidated statement of financial position	Assets —USD11,058,000	Assets —USD29,730,000	Level 2	Quoted prices in over the counter market	N/A	N/A
Listed equity securities classified as available-for-sale investments in the consolidated statement of financial position	Listed equity securities in Malaysia: —Construction industry —USD177,000 —Consumer products industry—USD46,000 —Health care industry —USD327,000 —Hotel—USD52,000 —Finance industry —USD584,000 —Industrial products industry—USD763,000 —Infrastructure industry —USD725,000 —Oil and Gas industry —USD34,000	Listed equity securities in Malaysia: —Construction industry —USD209,000 —Consumer products industry—USD516,000 —Hotel—USD54,000 —Finance industry —USD1,310,000 —Industrial products industry —USD972,000 —Infrastructure industry —USD537,000 —Oil and Gas industry —USD116,000 —Plantation industry —USD813,000	Level 1	Quoted bid prices in an active market	N/A	N/A

## Notes to the Financial Statements

31 December 2015

## 37. FINANCIAL INSTRUMENTS (continued)

## Fair value measurements of financial instruments (continued)

## (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis. (continued)

Financial assets/Financial liabilities	Fair value as at 2015	2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Listed equity securities classified as available-for-sale investments in the consolidated statement of financial position (continued)						
—Plantation industry	—USD584,000	—Real Estate and Property industry—USD427,000				
—Real Estate and Property industry—USD394,000		—Technology industry				
—Special purpose acquisition company		—USD365,000; and				
—USD 310,000		—Trading/Services industry				
—Technology industry		—USD2,007,000				
—USD224,000; and						
—Trading/Services industry						
—USD951,000						
Listed equity securities in Hong Kong		Listed equity securities in Hong Kong	Level 1	Quoted bid prices in an active market	N/A	N/A
—Banking industry		—Automotive industry				
—USD546,000		—USD51,000				
—Consumer products industry—USD61,000		—Construction industry				
—Finance industry		—USD81,000				
—USD876,000		—Consumer products industry				
—Infrastructure industry		—USD528,000				
—USD129,000		—Finance industry				
—Insurance industry		—USD1,215,000				
—USD122,000		—Industrial products industry				
		—USD155,000				

## Notes to the Financial Statements

31 December 2015

## 37. FINANCIAL INSTRUMENTS (continued)

## Fair value measurements of financial instruments (continued)

## (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis. (continued)

Financial assets/Financial liabilities	Fair value as at 2015	2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Listed equity securities classified as available-for-sale investments in the consolidated statement of financial position (continued)						
—Oil and gas industry	—USD40,000	—Infrastructure industry				
—Real Estate and Property industry—USD791,000		—Insurance industry				
—Technology industry		—USD112,000				
—USD1,019,000; and		—Oil and gas industry				
—Trading/Services industry		—USD109,000				
—USD52,000		—Real Estate and Property industry—USD475,000; and				
		—Trading/Services industry				
		—USD210,000				
Listed equity securities in other jurisdictions		Listed equity securities in other jurisdictions	Level 1	Quoted bid prices in an active market	N/A	N/A
—Banking industry		—Banking industry				
—USD113,000		—USD126,000				
—Consumer products industry—USD355,000		—Consumer products industry				
—Finance industry		—USD485,000				
—USD447,000		—Finance industry				
—Health care industry		—USD250,000				
—USD284,000		—Industrial products industry				
—Industrial products industry—USD989,000		—USD37,000				
		—Oil and gas industry				
		—USD81,000				

## Notes to the Financial Statements

31 December 2015

## 37. FINANCIAL INSTRUMENTS (continued)

## Fair value measurements of financial instruments (continued)

## (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis. (continued)

Financial assets/Financial liabilities	Fair value as at 2015	2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Listed equity securities classified as available-for-sale investments in the consolidated statement of financial position (continued)	—Oil and gas industry —USD27,000 —Real estate and property industry—USD429,000 —Trading/Services industry—USD87,000; and —Transportation and logistics industry—USD65,000	—Real estate and property industry—USD528,000 —Trading/Services industry—USD322,000; and —Transportation and logistics industry—USD84,000				
Debentures classified as available-for-sale investments in the consolidated statement of financial position	Assets — USD2,236,000	Assets — USD1,886,000	Level 2	Quoted prices in over the counter market	N/A	N/A
Unit trust funds classified as AFS in the consolidated statement of financial position	Assets — USD17,369,000	Assets — USD15,429,000	Level 2	Quoted prices in over the counter market	N/A	N/A

## Notes to the Financial Statements

31 December 2015

## 37. FINANCIAL INSTRUMENTS (continued)

## Fair value measurements of financial instruments (continued)

## (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis. (continued)

mFinancial assets/Financial liabilities	Fair value as at 2015	2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Derivative financial instruments, Earn-out arrangement	Assets – USD8,615,000	Assets — USD2,661,000	Level 3	Discounted cashflow method was used to capture the present value of the expected future economic benefits that will flow to the Group arising from the contingent consideration at an appropriate discount rate.	Probability adjusted revenues (Note 1)	The higher the revenue, the higher the fair value

Note 1: The Group does not have material carrying amount of derivative financial assets and earn-out arrangement at the end of the reporting period, hence no sensitivity analysis are presented.

As at December 31, 2015 and 2014, the Directors consider that the carrying amount of financial assets and liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

There were no transfers between Levels 1 and 2 during the years ended December 31, 2015 and 2014.

**Notes to the Financial Statements**  
**31 December 2015**

**37. FINANCIAL INSTRUMENTS (continued)**

**Fair value measurements of financial instruments (continued)**

**(ii) Reconciliation of Level 3 fair value measurements**

2015

	Earn-out arrangement
	USD'000
At beginning of year	2,661
Total gains charged to profit or loss	9,311
Settlement	(2,224)
Exchange adjustments	(1,133)
At end of year	<u>8,615</u>

2014

	Derivatives financial assets	Earn-out arrangement	Total
	USD'000	USD'000	USD'000
At beginning of year	132	89	221
Total gains charged to profit or loss	25	6,025	6,050
Settlement	—	(3,272)	(3,272)
Exercises	(157)	—	(157)
Exchange adjustments	—	(181)	(181)
At end of year	<u>—</u>	<u>2,661</u>	<u>2,661</u>

**38. ACQUISITIONS OF SUBSIDIARIES/BUSINESS**

**Acquisitions made in 2015**

**i. Acquisition of the business and assets of a tomb contractor**

On March 2, 2015, Nirvana Memorial Park Sdn. Bhd. (“NMP”) entered into a sale and purchase agreement with WFS Memorial Tomb Management Sdn. Bhd., and Wong Chen Hoong and Wang Siew Yuen (collectively, the “Vendor”), to acquire the following at an aggregate consideration of RM15,000,000 equivalent to approximately USD4,132,000:

- (i) all the business together with all goodwill and rights attached thereto, dealings or trade as a contractor for the design and construction of tombs at six memorial parks of the Group throughout Malaysia, as conducted by the Vendor; and
- (ii) the business assets owned by the Vendor which include property, plant and equipment, inventories, licenses and permits.

The Directors believe that this downstream acquisition would help create synergies with the Group’s existing death care service business.



**Notes to the Financial Statements**  
**31 December 2015**

**38. ACQUISITIONS OF SUBSIDIARIES/BUSINESS (continued)**

**Acquisitions made in 2015 (continued)**

*i. Acquisition of the business and assets of a tomb contractor (continued)*

The net assets acquired in the transaction are as follows:

	<u>USD'000</u>
<b>Net assets acquired:</b>	
Intangible assets .....	3,789
Property, plant and equipment .....	134
Inventories .....	48
	<u>3,971</u>
Fair value of the purchase consideration .....	161
Consideration .....	<u>4,132</u>
<b>Satisfied by:</b>	
Cash paid in 2015 .....	1,928
Consideration payables .....	2,043
	<u>3,971</u>
Fair value of the purchase consideration .....	161
Consideration .....	<u>4,132</u>
<b>Net cash outflow arising on acquisition:</b>	
Cash paid and net cash outflow arising on acquisition .....	1,928
Consideration payables .....	2,043
	<u>3,971</u>
Fair value of the purchase consideration .....	161
Consideration .....	<u>4,132</u>

Included in the profit for the year is an additional approximately USD1,679,000 equivalent to RM6,558,000 attributable to the cost saving from the acquisition of the above business. There is no additional revenue being generated from the above business acquisition.

*ii. Acquisition of remaining 22.5% interest in Nirvana Memorial Park (Tiram) Sdn. Bhd. ("NMP Tiram")*

On May 22, 2015, NMP, acquired the remaining 22.5% of the equity interest in NMP Tiram for a cash consideration of approximately USD333,000, equivalent to RM1,193,000. The net difference of approximately USD286,000, equivalent to approximately RM922,000, between the consideration paid to non-controlling interest and the carrying amounts of net assets attributable to the additional interest acquired of approximately USD47,000 at the date of acquisition was debited to other reserve.

*iii. Acquisition of remaining 40% interest in Nirvana Memorial Park Co. Ltd. ("NMP Thailand")*

On July 28, 2015, Nirvana Memorial Garden Co., Limited. ("NMG Thailand"), a 49.37%-owned subsidiary of the Group, acquired the remaining 40% equity interest in NMP Thailand for a cash consideration of approximately USD593,000, equivalent to approximately THB18,842,000. The

**Notes to the Financial Statements**  
**31 December 2015**

**38. ACQUISITIONS OF SUBSIDIARIES/BUSINESS (continued)**

**Acquisitions made in 2015 (continued)**

**iii. Acquisition of remaining 40% interest in Nirvana Memorial Park Co. Ltd. (“NMP Thailand”) (continued)**

net difference of approximately USD494,000 between the consideration paid to non-controlling interest and the carrying amounts of net assets attributable to the additional interest acquired of approximately USD99,000 at the date of acquisition was debited to other reserve.

**iv. Acquisition of 70% interest in PT Nirvana Memorial Nusantara (“PT Nusantara”)**

On September 2, 2015, Essential Scope Sdn. Bhd. (“ESSB”), a wholly-owned subsidiary of the Group, entered into a share subscription agreement with PT Nirvana Memorial Nusantara (“PT Nusantara”), a company incorporated under the laws of the Republic of Indonesia, PT Bentara Bumi Morawa and an independent third party who is the minority shareholder of PT Nusantara, pursuant to which, among others, PT Nusantara agreed to allot and ESSB agreed to subscribe 70.0% interest of PT Nusantara’s share capital, for the subscription consideration of Rupiah 17.5 billion equivalent approximately to USD1.3 million. As the end of the reporting period, the subscription has been completed but PT Nusantara has not commenced of business.

**v. Acquisition of 100% interest in Everest Fairway Sdn. Bhd. (“EFSB”)**

On October 28, 2015, Future Spectrum Sdn. Bhd, a wholly-owned subsidiary of the Group entered into an agreement with 2 independent third party individuals to acquire 2 ordinary shares of RM1.00 each in EFSB representing 100% equity interest in EFSB for a consideration of approximately USD351,000 equivalent to RM1,500,000. EFSB has no business activities as of transaction date other than EFSB has entered into a conditional sale and purchase agreement with the landowner to purchase a parcel of land in Mukim Jeram, Daerah Kuala Selangor measuring approximately in total 66.8 hectares for the consideration of approximately USD15.3 million equivalent to approximately RM64.7 million. The land acquisition consideration has been paid by the Group and the acquisition has been completed on December 31, 2015.

**Acquisitions made in 2014**

**i. Acquisition of 49.37% equity interest in Nirvana Memorial Garden Co., Limited. (“NMG Thailand”)**

On January 3, 2014, Nirvana Thailand Sdn. Bhd. (“Nirvana Thailand”), a wholly-owned subsidiary of the Group, subscribed for 19,500 “Class B” Preference Share of THB100 each in NMG Thailand representing a 49.37% equity interest in NMG Thailand for a consideration of approximately USD61,000, equivalent to approximately THB1,950,000. NMG Thailand is an investment holding company and holds a 20.99% equity interest in NMP Thailand. As the sole “Class B” Preference Shares holder in NMG Thailand, Nirvana Thailand is entitled to 90% of its dividends, 90.7% of its voting power, and has rights to nominate all Directors for appointment to its board. Accordingly, the Group is able to exercise power over the relevant activities of NMG Thailand and NMG Thailand is regarded as a subsidiary of the Group. In aggregation of the 39% equity interest in NMP Thailand

Notes to the Financial Statements  
31 December 2015

38. ACQUISITIONS OF SUBSIDIARIES/BUSINESS (continued)

Acquisitions made in 2014 (continued)

i. Acquisition of 49.37% equity interest in Nirvana Memorial Garden Co., Limited. (“NMG Thailand”) (continued)

directly held by Nirvana Thailand prior to such acquisition (note 19), the Group holds an effective equity interest and voting power of around 58% in NMP Thailand and has the right to appoint a majority member on its board; and hence, NMP Thailand becomes a subsidiary of the Group upon this acquisition. The acquisition was part of the Group’s business development in Thailand to obtain control over NMP Thailand, which has not yet commenced business activities as of transaction date, and was accounted for as an asset acquisition.

The net assets acquired in the transaction are as follows:

	<u>USD’000</u>
<b>Net assets acquired:</b>	
Inventories . . . . .	3,037
Trade and other receivables . . . . .	107
Bank balances and cash . . . . .	48
Trade and other payables . . . . .	<u>(2,869)</u>
	323
Non-controlling interests . . . . .	(139)
Transferred from interest previously held as an associate . . . . .	<u>(123)</u>
Cash consideration paid . . . . .	<u>61</u>
<b>Satisfied by:</b>	
Cash paid in 2014 . . . . .	<u>61</u>
<b>Net cash outflow arising on acquisition:</b>	
Cash consideration paid . . . . .	61
Less: Bank balances and cash acquired . . . . .	<u>(48)</u>
	<u>13</u>

On January 28, 2014, Nirvana Thailand entered into an option agreement with the other three shareholders of NMG Thailand (“**NMG Thailand Shareholders**”) pursuant to which they granted Nirvana Thailand a call option to acquire their 20,000 class A shares in NMG Thailand to the extent representing not more than 41% equity interest in NMG Thailand for an exercise price of THB100 per share. This call option is exercisable any time with 10 days’ notice.

At the same time, NMG Thailand Shareholders were granted a put option to sell all of their 20,000 class A shares representing 50.63% equity interest in NMG Thailand for an exercise price of THB50 per share, and is exercisable after 4 years from the date of the option agreement.

In the opinion of the Directors, the fair value of the aforesaid call and put options at initial recognition and December 31, 2015 and 2014 is insignificant.

**Notes to the Financial Statements**  
**31 December 2015**

**38. ACQUISITIONS OF SUBSIDIARIES/BUSINESS (continued)**

**Acquisitions made in 2014 (continued)**

*ii. Acquisition of remaining 20% interest in Blissful World Sdn. Bhd. (“BWSB”)*

On March 15, 2014, Nirvana North Sdn. Bhd., the wholly-owned subsidiary of the Group, acquired the remaining 20% of the equity interest in BWSB for a cash consideration of approximately USD1,951,000, equivalent to approximately RM6,368,000. The net difference of approximately USD157,000, equivalent to approximately RM513,000, between the consideration paid to non-controlling interest and the fair value of the call option and put option at the date of derecognition has been debited to other reserve.

*iii. Acquisition of remaining 30% interest in Nirvana Memorial Garden Pte. Ltd. (“NMG Singapore”)*

On September 24, 2014, Eagle Heritage Limited, a wholly-owned subsidiary of the Group, acquired the remaining 30% equity interest in NMG Singapore for a cash consideration of approximately USD24,537,000, equivalent to approximately SGD30,888,000. The net difference of approximately USD18,385,000 between the consideration paid to non-controlling interest and the carrying amounts of net assets attributable to the additional interest acquired of approximately USD6,152,000 at the date of acquisition was debited to other reserve.

*iv. Acquisition of additional interest in existing subsidiaries*

In year 2014, the Group acquired additional equity interest in NV Care (Penang) Sdn. Bhd. and Nirvana Memorial Park (Tiram) Sdn. Bhd. for a total cash consideration of approximately USD41,000. The net difference of approximately USD52,000 between the consideration paid to non-controlling interest and the carrying amounts of net assets attributable to the additional interest acquired of USD11,000 at the date of acquisition was debited to other reserve.

**39. DISPOSALS OF SUBSIDIARIES**

**Disposals in 2014**

*(i) Disposal of 100% equity interests in Genting Jelas Sdn. Bhd. (“Genting Jelas”)*

On April 21, 2014, NASB disposed of its 100% equity interest in Genting Jelas to Tan Sri’ Kong Hon Kong and Kong Yew Foong, Directors of the Company, for a consideration of approximately USD25,000, equivalent to approximately RM80,000.

The net assets disposed of in the transaction are as follows:

	<u>USD’000</u>
<b>Net assets disposed:</b>	
Trade and other receivables .....	23
Bank balances and cash .....	25
Trade and other payables .....	(23)
<b>Total consideration received</b>	<b>25</b>
Less: Bank balances and cash disposed of .....	(25)
<b>Net cash outflow arising on disposal</b>	<b>—</b>

Notes to the Financial Statements  
31 December 2015

39. DISPOSALS OF SUBSIDIARIES (continued)

Disposals in 2014 (continued)

(ii) Disposal of 100% equity interests in Rantau Delima Sdn. Bhd. (“Rantau Delima”)

On April 21, 2014, NASB disposed of its 100% equity interest in Rantau Delima to Tan Sri Kong Hon Kong and Kong Yew Foong for a consideration of approximately USD91,000, equivalent to approximately RM291,000.

The net assets disposed of in the transaction are as follows:

	<u>USD’000</u>
<b>Net assets disposed:</b>	
Trade and other receivables .....	88
Bank balances and cash .....	4
Trade and other payables .....	<u>(1)</u>
<b>Total consideration received</b>	91
Less: Bank balances and cash disposed of .....	<u>(4)</u>
<b>Net cash inflow arising on disposal</b> .....	<u>87</u>

40. OPERATING LEASE COMMITMENTS

As lessee

As at December 31, 2015 and 2014, the Group had commitments to make the following future minimum lease payments in respect of premises and office equipment rented under non-cancellable operating leases which fall due as follows:

	<u>2015</u> <u>USD’000</u>	<u>2014</u> <u>USD’000</u>
Within one year .....	420	515
In the second to fifth years inclusive .....	194	377
Over five years .....	<u>9</u>	<u>—</u>
	<u>623</u>	<u>892</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of four years and rentals are fixed for an average of four years.

Other

For the cemeteries developed by the Group where the Group has no legal ownership of the land, the Group has entered into arrangements with owners of the cemetery land (the “Landowners”) pursuant to which the Landowners granted the Group a right to use of the land for development and construction of scenic cemeteries in return for a contingent payment based on a fixed percentage of the net sale proceeds of the burial plots, niches and/or other products developed thereon. There are no minimum payments required by the Group under these arrangements.

Notes to the Financial Statements  
31 December 2015

41. CAPITAL COMMITMENTS

	2015 USD'000	2014 USD'000
Capital commitments contracted for but not provided in the financial statement in respect of:		
—acquisition of a subsidiary (note 47(c))	2,000	—
—acquisition of capital expenditure	30	237
	<u>2,030</u>	<u>237</u>

42. SHARE-BASED PAYMENT

Share option scheme

Pursuant to the shareholders' written resolution passed and share capital changes effected on June 30, 2014, the Company adopted a Pre-IPO Employees Share Right Scheme ("ESRS") and Sales Agent Share Option Scheme ("Pre-IPO Sales Agent Share Option Scheme") ("SASOS") for the purpose of incentivising, retaining and rewarding certain employees and sales agents of the Group for their contributions to the Group's business, and to align their interests with those of the Group.

Pre-IPO Employee Share Right Scheme ("ESRS")

Under the terms of the ESRS, management rights and share rights were granted to a Director at October 25, 2013 and share rights were granted to selected and identified suitable employees at June 30, 2014, respectively. The share rights or management warrants may be exercised progressively from the grant date up to 5 years after the grant date provided that the relevant employee remained employed with the Group. Forfeited share rights would be cancelled. The ESRS will expire on December 31, 2019.

The estimated fair value of share rights granted was determined at the date of the grant and was charged as an expense immediately to share-based payment reserve.

On exercising the share rights, the consideration received was credited to share capital in respect of the nominal value of the shares issued with the balance credited to share premium; the original estimated fair value of the relevant share options was then transferred from share-based payment reserve to share premium.

Movements in the number of shares issuable under share rights granted and their related weighted average exercise prices were as follows:

	2015		2014	
	Exercise price per share	Number of shares issuable under share rights granted	Exercise price per share	Number of shares issuable under share rights granted
	USD	'000	USD	'000
At beginning of year	0.20*	24,382	0.20*	—
Granted	0.20*	—	0.20*	24,382
Exercised	0.20*	(142)	0.20*	—
Lapsed	0.20*	(694)	0.20*	—
At end of year	<u>0.20*</u>	<u>23,546</u>	<u>0.20*</u>	<u>24,382</u>

\* equivalent to HKD1.52

**Notes to the Financial Statements**  
**31 December 2015**

**42. SHARE-BASED PAYMENT (continued)**

**Management warrants**

Movements in the number of shares issuable under management warrants granted and their related weighted average exercise prices were as follows:

	2015		2014	
	Exercise price per share	Number of shares issuable under share rights granted	Exercise price per share	Number of shares issuable under share rights granted
	USD	'000	USD	'000
At beginning of year	0.20*	20,703	0.20*	—
Granted	0.20*	—	0.20*	20,703
Exercised	0.20*	—	0.20*	—
Lapsed	0.20*	—	0.20*	—
At end of year	0.20*	20,703	0.20*	20,703

\* equivalent to HKD1.52

**Pre-IPO Sales Agent Share Option Scheme (“SASOS”)**

Under the terms of the SASOS, share options were granted to selected and identified sales agents of the Group on August 6, 2014. A sales agent share options shall be vested on the Eligible Sales Agents and exercisable only after the date of the Listing and upon satisfaction of any applicable vesting conditions specified in the offer of sales agent share options. 50% of the sales agent share options will vest on January 31, 2015 and the remaining 50% will vest on January 31, 2016 based on the Eligible Sales Agents' respective annual sales achievement in Year 2015 and Year 2016, respectively, and upon satisfaction of any applicable vesting conditions specified in the offer of sales agent share options.

The share option may be exercised progressively from the vesting date to the fifth year after the vesting date provided that the relevant sales agent maintain an effective agency agreement with the Group. Forfeited share options would be cancelled. The SASOS will expire on December 31, 2019.

The estimated fair value of share option granted was determined at the date of the grant and is charged as an expense over the projected vesting period being the period for which the services from the sale agents were rendered with a corresponding credit to share-based payment reserve.

On exercising the share options, the consideration received was credited to share capital in respect of the nominal value of the shares issued with the balance credited to share premium; the original estimated fair value of the relevant share options was then transferred from employee share-based payment reserve to share premium.



**Notes to the Financial Statements**  
**31 December 2015**

**42. SHARE-BASED PAYMENT (continued)**

**Pre-IPO Sales Agent Share Option Scheme (“SASOS”) (continued)**

Movements in the number of shares issuable under share options granted and their related weighted average exercise prices were as follows:

	2015		2014	
	Exercise price per share	Number of shares issuable under share options granted	Exercise price per share	Number of shares issuable under share options granted
	USD	'000	USD	'000
At beginning of year	0.20*	1,152	0.20*	—
Granted	0.20*	—	0.20*	1,152
Vested	0.20*	(298)	0.20*	—
Lapsed	0.20*	—	0.20*	—
At end of year	0.20*	854	0.20*	1,152

\* equivalent to HKD1.52

All vested share options have not been exercised by end of the reporting period.

On January 31, 2016, 386,507 sales agent options granted under the SASOS have lapsed.

The fair value of the shares granted under the ESRS and SASOS were determined using the binomial model. The significant inputs into the model were as follows:

	ESRS	ESRS — Management warrants	SASOS
Exercise price	USD0.20	USD0.20	USD0.20
Date of grant	June 30, 2014	October 23, 2013	August 6, 2014
Fair value at grant date	USD10.89	USD376,925	USD11.22
Vesting period/Option life	5.51 and 7.33	5.18	5.34
Expected dividend yield	0.00%	0.00%	0.00%
Risk free interest rates	1.830% and 2.285%	1.44%	1.79%
Expected volatility	33% and 36%	34.7%	29.92%
Exercise multiple	2.86x to 3.34x	3.34x	Non-applicable

**43. RETIREMENT BENEFITS PLANS**

The Group makes contributions to a statutory Employees Provident Fund for all qualifying employees in Malaysia. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 12% to 19% (2014: 12% to 19%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries which operate in Singapore are required to participate in the Central Provident Fund operated by the local government. These Singapore subsidiaries are required to contribute 7.5% to 17.0% (2014: 6.5% to 16.0%) of its basic payroll costs to the fund.

**Notes to the Financial Statements**  
**31 December 2015**

**43. RETIREMENT BENEFITS PLANS (continued)**

The contributions are charged to profit or loss as they become payable in accordance with the rules of the fund.

For the years ended December 31, 2015 and 2014 the total expenses recognised in profit or loss, amounted to approximately USD1,735,000 and USD1,653,000, respectively, which represents contributions payable to these funds by the Group at rates specified in the rules of the plans.

**44. RELATED PARTY TRANSACTIONS**

- (a) Apart from other arrangements with related parties disclosed elsewhere in the consolidated financial statements, during the years ended December 31, 2015 and 2014, the Group entered into the following transactions with related parties:

	<u>2015</u> <u>USD'000</u>	<u>2014</u> <u>USD'000</u>
Interest expense arising from advance from:		
Non-controlling interests:		
PT Bentara Bumi Morawa .....	6	—
Vilailux Development Company Limited .....	63	98
Rental expense:		
Company under common control by a Director, Tan Sri' Kong Hon Kong:		
KHK Capital Holdings Sdn. Bhd. ....	193	204
Agency expense:		
Close family members of a member of senior management of a principal operating subsidiary, Dato' Chan Loong Fui .....	<u>187</u>	<u>161</u>

All the above related party transactions do not constitute connected or continuing connected transactions that are required to be disclosed under Chapter 14A of the Listing Rules.

**(b) Amounts due to related parties**

	<u>2015</u> <u>USD'000</u>	<u>2014</u> <u>USD'000</u>
Director		
—Tan Sri' Kong Hon Kong .....	—	206
Non-controlling interests		
—PT Bentara Bumi Morawa .....	2,394	—
—Vilailux Development Company Limited .....	—	1,367
	<u>2,394</u>	<u>1,367</u>

Amount owing to Tan Sri' Kong Hon Kong in 2014 represented accrued and unpaid director's remuneration, which is unsecured and interest free.

Amounts due to non-controlling interests represents advances received and is unsecured, interest-free and repayable on demand except for the amount due to PT Bentara Bumi Morawa of approximately USD2,394,000 as at December 31, 2015, with interest rate at 10.50% per annum.

**Notes to the Financial Statements**  
**31 December 2015**

**44. RELATED PARTY TRANSACTIONS (continued)**

**(b) Amounts due to related parties (continued)**

The amount owing to Vilailux Development Company Limited in 2014 and bore a fixed interest rate at 7.25% per annum had been fully settled during the year.

The advances by PT Bentara Bumi Morawa and Vilailux Development Company Limited constitute a connected transaction as defined in Chapter 14A of the Listing Rules. However, this transaction is fully exempted from the disclosure requirements in Chapter 14A of the Listing Rules.

**(c) Compensation of key management personnel**

The compensation paid or payable to key management personnel (excluding the Directors) of the Group are shown below:

	2015 USD'000	2014 USD'000
Salaries, wages and bonuses .....	896	1,169
Post-employment benefits .....	45	44
Share-based payment .....	—	1,107
	<u>941</u>	<u>2,320</u>

The remuneration of the key management personnel is determined by having regard to the performance of individuals and the Group and market trends.

The remuneration of Directors of the Company, who are also key management personnel, is disclosed in note 12.

**45. PARTICULARS OF SUBSIDIARIES OF THE COMPANY**

**(a) Trust funds arrangements**

***Trust fund in relation to pre-need funeral service contracts***

The Group enters into contracts with its customers for pre-need funeral service under which the funeral services may be rendered years after the contracts are signed and fees collected. In order to ensure that the funds collected from such contracts are properly managed, and that the Group will have sufficient funds to discharge its obligations under the contracts and perform the funeral services as and when such obligation materialises, at the time of receiving the payment for each contract, the Group voluntarily allocates and deposits a portion of such collections into a trust fund managed by a professional trustee, which will be invested in equity securities, fixed income securities, unit trust funds and properties, plant and equipment.

Under this arrangement, the Group will only use the fund for the purpose of discharging its funeral services obligations under the pre-need funeral service contracts in the future. The amount to be allocated and deposited into the fund is determined by an independent third-party actuarial firm, based on the cost for rendering the relevant funeral services, mortality rates and taking into consideration the return on investment and inflation. This amount is recalculated and updated by the independent third-

Notes to the Financial Statements  
31 December 2015

45. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

(a) Trust funds arrangements (continued)

*Trust fund in relation to pre-need funeral service contracts (continued)*

party actuarial firm at the end of the reporting period, and if it is determined that the fund maintained is insufficient to cover the future estimated costs, the Group will make further contribution to the fund accordingly.

The net assets of the fund included in the consolidated statement of financial position are as follows:

	2015	2014
	USD'000	USD'000
Property, plant and equipment .....	625	726
Available-for-sale investment .....	16,476	14,234
Bank balances and cash and cash equivalents .....	453	1,362
Other assets .....	4	36
	<u>17,558</u>	<u>16,358</u>

*Trust funds in relation to maintenance service contract*

The Group enters into contracts with its customers for providing on-going maintenance services for burial plots and niches with an one-off payment of up-front maintenance and upkeep fee. In order to manage and invest the collections from such contracts to ensure sufficient funding for performing these ongoing and future obligations, the Group entered into trust deed to maintain funds with professional trustees for each of the cemeteries and deposits such collections into the trust funds (“Maintenance Funds”).

Under this arrangement, the trust accounts are under the management of professional trustees. In order to ensure that the Maintenance Funds are sustainable, the professional trustees are only allowed and obliged to use the investment returns from the Maintenance Funds pursuant to the trust deeds to fund the day-to-day maintenance of cemeteries and columbarium facilities. In the limited situations where certain capital expenditure is necessary for proper operations of such facilities, the professional trustees will be allowed to use the principal of the Maintenance Funds.

The net assets of the funds included in the consolidated statement of financial position are as follows:

	2015	2014
	USD'000	USD'000
Property, plant and equipment .....	238	231
Available-for-sale investment .....	14,732	15,508
Bank balances and cash and cash equivalents .....	5,146	7,545
Other assets/(liabilities) .....	1,121	(680)
	<u>21,237</u>	<u>22,604</u>

**Notes to the Financial Statements**  
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**45. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)**

**b. Details of non-wholly owned subsidiaries that have material non-controlling interests (“NCI”)**

The table below shows details of non-wholly owned subsidiaries of the Group that have material NCIs:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership and voting rights held by NCI		Profit allocated to NCI		Accumulated NCI	
		2015	2014	2015	2014	2015	2014
		%	%	USD’000	USD’000	USD’000	USD’000
Nirvana Memorial Garden Pte. Ltd* . . . . .	Singapore	—	—	—	1,338	—	—
PT Alam Hijau Lestari . . . . .	Indonesia	49	49	242	619	3,541	3,678
Harvest China Holdings Limited . . . . .	Hong Kong	5	5	259	64	849	754
Individually immaterial subsidiaries with NCI						530	98
						4,920	4,530

\* become a wholly-owned subsidiary of the Group in 2014, refer Note 38.

Summarised financial information before intra-group elimination in respect of each Group’s subsidiary company that has material NCI is as follows:

	PT Alam Hijau Lestari		Nirvana Memorial Garden Pte. Ltd.		Harvest China Holdings Limited	
	2015	2014	2015	2014	2015	2014
	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
Current assets . . . . .	15,460	15,979	—	—	9,152	5,450
Non-current assets . . . . .	1,254	3,085	—	—	1,630	2002
Current liabilities . . . . .	(7,727)	(9,804)	—	—	(23)	(29)
Non-current liabilities . . . . .	(1,760)	(1,753)	—	—	—	—
Equity attributable to owners of the Company . . . . .	3,686	3,829	—	—	9,910	6,669
Non-controlling interests . . . . .	3,541	3,678	—	—	849	754
Revenue . . . . .	6,033	6,342	—	12,559	—	—
Expenses . . . . .	5,561	5,079	—	8,100	627	155
Profit attributable to owners of the Company . . . . .	252	644	—	3,121	4,922	1,218
Profit attributable to the NCI . . . . .	242	619	—	1,338	259	64
Profit for the year . . . . .	494	1,263	—	4,459	5,181	1,282
Other comprehensive income/ (expenses) attributable to owners of the Company . . . . .	393	243	—	(122)	—	—
Other comprehensive income/ (expenses) attributable to the NCI . . . . .	377	234	—	(53)	—	—
Other comprehensive income/ (expenses) for the year . . . . .	770	477	—	(175)	—	—
Total comprehensive income attributable to owners of the Company . . . . .	645	887	—	2,999	4,922	1,218
Total comprehensive income attributable to the NCI . . . . .	619	853	—	1,285	259	64
Total comprehensive income for the year . . . . .	1,264	1,740	—	4,284	5,181	1,282

Notes to the Financial Statements  
31 December 2015

45. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

b. Details of non-wholly owned subsidiaries that have material non-controlling interests  
("NCP") (continued)

*Summarised statement of cash flows*

	PT Alam Hijau Lestari		Nirvana Memorial Garden Pte. Ltd.		Harvest China Holdings Limited	
	2015	2014	2015	2014	2015	2014
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Net cash inflow/(outflow) from operating activities	1,763	(718)	—	4,329	7,756	(403)
Net cash inflow/(outflow) from investing activities	67	(4,766)	—	43	—	—
Net cash inflow/(outflow) from financing activities	(1,434)	4,228	—	(2,501)	—	—
Net cash inflow/(outflow)	396	(1,256)	—	1,871	7,756	(403)

46. INFORMATION OF FINANCIAL POSITIONS OF THE COMPANY

The statement of financial position of the Company as at December 31, 2015 and 2014 are as follows:

	2015	2014
	USD'000	USD'000
<b>ASSETS</b>		
<b>Non-current asset</b>		
Investment in subsidiaries	17,569	18,591
<b>Current assets</b>		
Amount due from subsidiaries	103,204	15,079
Other receivables	605	—
Financial assets at fair value through profit or loss	6,594	25,307
Bank balances and cash and cash equivalents	177,695	232,643
<b>Total current assets</b>	288,098	273,029
<b>Total assets</b>	305,667	291,620
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	26,989	26,988
Reserves (Note)	261,683	251,926
<b>Total equity</b>	288,672	278,914
<b>Current liabilities</b>		
Other payables	50	3,036
Amount due to a subsidiary	16,945	9,670
<b>Total current liabilities</b>	16,995	12,706
<b>Total equity and liabilities</b>	305,667	291,620
<b>Net current assets</b>	271,103	260,323
<b>Total assets less current liabilities</b>	288,672	278,914

**Notes to the Financial Statements**  
**31 December 2015**

**46. INFORMATION OF FINANCIAL POSITIONS OF THE COMPANY (continued)**

Note:

	Share premium	Capital reserve	Warrant reserve	Share-based payment reserve	Translation reserve	Retained earnings	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<b>As of January 1, 2014</b>	—	276	2,731	1,342	(226)	1,382	5,505
Profit for the year	—	—	—	—	—	19,330	19,330
Other comprehensive income	—	—	—	—	(2,541)	—	(2,541)
Total comprehensive income	—	—	—	—	(2,541)	19,330	16,789
Dividend recognised as distributions	—	—	—	—	—	(19,296)	(19,296)
Bonus issue of shares	—	—	—	—	—	(499)	(499)
Effect of share-based payment	—	—	—	3,278	—	—	3,278
Deemed distribution to equity holders	—	—	1,003	—	—	(1,003)	—
Exercised of warrants	24,075	—	(3,734)	—	—	—	20,341
Issue of shares by capitalisation of share premium	(19,714)	—	—	—	—	—	(19,714)
Issue of shares at premium through initial public offerings	254,293	—	—	—	—	—	254,293
Transaction costs attributable to issue of new shares	(8,771)	—	—	—	—	—	(8,771)
<b>As of December 31, 2014</b>	249,883	276	—	4,620	(2,767)	(86)	251,926
Profit for the year	—	—	—	—	—	94,950	94,950
Other comprehensive income	—	—	—	—	(57,361)	—	(57,361)
Total comprehensive income for the year	—	—	—	—	(57,361)	94,950	37,589
Issue of ordinary shares pursuant to exercise of employee share rights	46	—	—	(19)	—	—	27
Lapse of employee share rights	—	—	—	(76)	—	76	—
Dividend recognised as distributions	—	—	—	—	—	(27,859)	(27,859)
<b>As of December 31, 2015</b>	249,929	276	—	4,525	(60,128)	67,081	261,683

**47. SIGNIFICANT EVENTS DURING THE YEAR**

Other than those disclosed elsewhere in the consolidated financial statements, the following events took place during the year:

- (a) On February 2, 2015, the Group entered into a Cooperation Agreement with a third party to exclusively manage, operate and sale of the niches in Huiyang District, Huizhou City, Guangdong Province, the People Republic of China (the “**said cemetery**”) and a non-exclusive right to sell other products and facilities of the said cemetery. This Cooperation Agreement is for a term of 10 years from February 2, 2015, subject to an automatic extension for a further term of 5 years in the event that any of the niches remain unsold upon the expiry of the first 10-year term.
- (b) On June 16, 2015, the Group entered into an agreement with a third party to construct columbarium complexes and a funeral home on a parcel of land located in Klang, Selangor, Malaysia at terms as per voluntary announcement in The Stock Exchange of Hong Kong Limited on the same date.
- (c) On July 28, 2015, the Group entered into an agreement with third parties to acquire 70.0% interest in Nirvana Memorial Park Co., Ltd., a company incorporated under the laws of the Socialist Republic of Vietnam, for a purchase consideration of



**Notes to the Financial Statements**  
**31 December 2015****47. SIGNIFICANT EVENTS DURING THE YEAR (continued)**

approximately USD2.0 million, equivalent to approximately 44.1 billion Vietnamese dong (“VND”). However, as at the reporting date, this acquisition has not been completed.

**48. SUBSEQUENT EVENT**

On January 15, 2016, a subsidiary, Mount Prajna Ltd., accepted the letter of offer from the Singapore Land Authority for the extension of the existing lease period in respect of its land located at No. 950, Old Choa Chu Kang Road, Singapore where the Group’s columbarium, Nirvana Singapore is erected thereon from August 13, 2029 to August 13, 2098. The lease extension premium of approximately USD 32.7 million equivalent to SGD47.0 million, together with 7.0% Goods and Services Tax has been settled on January 28, 2016.

#### 4. INDEBTEDNESS

As at 30 June 2016, the Group had total outstanding indebtedness of approximately US\$54.56 million comprising (a) secured revolving credit facilities of US\$47.44 million; (b) obligations under finance leases of US\$0.04 million and; (c) amount due to non-controlling interests of US\$7.08 million.

Included in the revolving credit facility is a balance of US\$32.62 million which is secured only by a fixed deposit of approximately US\$36.60 million while the remaining revolving credit facility balance of US\$14.82 million is secured by a corporate guarantee, a fixed deposit of approximately US\$16.25 million, a fixed and floating charge over all the assets, rights and interests, both present and future, of Nirvana Singapore Pte. Ltd. (formerly known as NV Multi Corporation (Singapore) Pte. Ltd.) (“**NV Singapore**”), the wholly-owned subsidiary of the Company, and an assignment and charge of a debt service reserve account by NV Singapore. The Group’s obligations under finance leases are secured by a charge over leased assets of US\$0.07 million. The amount due to non-controlling interests of US\$7.08 million represents advances received and are unguaranteed and unsecured.

Save as disclosed above, the Group had no other material contingent liabilities or outstanding mortgages, charges, finance lease commitments, guarantees, loan capital or debt securities issued and outstanding or agreed to be issued, bank loans or overdrafts or other similar indebtedness as at 30 June 2016.

#### 5. MATERIAL CHANGES

Save as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

**(1) Decrease in unaudited consolidated profit attributable to owners of the Company for the six months ended 30 June 2016**

As disclosed in the Company’s interim results announcement for the six months ended 30 June 2016 (the “**Interim Results Announcement**”), the Group recorded profit attributable to owners of the Company of approximately US\$8.3 million for the six months ended 30 June 2016, representing a decrease of approximately 77.8% as compared to the figures for the six months ended 30 June 2015. The decrease in profit was mainly attributable to net foreign exchange losses amounted to approximately US\$9.6 million principally arising from cash and cash equivalents denominated in US\$ and HK\$, which are mainly net proceeds from the listing of the Company on the Main Board of the Stock Exchange in December 2014, while net foreign exchange gains amounted to approximately US\$17.5 million was incurred for the six months ended 30 June 2015. Further details are set out in the Interim Results Announcement.

**(2) The proposed privatisation of the Company by way of a scheme of arrangement (under Section 86 of the Companies Law) and the proposed cash offer to cancel all outstanding options**

On 8 July 2016, the Company and Holdco jointly announced that Holdco, Equityco and the Company entered into the Implementation Agreement on 8 July 2016, pursuant to which the parties

agreed that Holdco will pursue the proposed privatisation of the Company by way of the Scheme. If the Proposal is implemented, it will result in (a) the Company becoming a direct wholly-owned subsidiary of Bidco and an indirect wholly-owned subsidiary of Holdco; and (b) the withdrawal of listing of the Shares on the Stock Exchange. Further details regarding the proposed privatisation of the Company and the Implementation Agreement are set out in the “Letter from the Board” and the “Explanatory Memorandum” contained in the Scheme Document.

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Scheme Document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 June 2016 of the properties held by the Group.*



Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No: C-030171

5 September 2016

The Board of Directors  
Nirvana Asia Ltd  
4th Floor, Harbour Place,  
103 South Church Street,  
George Town, P.O. Box 10240  
Grand Cayman KY1-1002  
Cayman Islands

Dear Sirs,

In accordance with your instructions to value the properties held by Nirvana Asia Ltd (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) in Malaysia, Indonesia, Singapore, Thailand and Vietnam (the “countries”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market values of the property interests as at 30 June 2016 (the “valuation date”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Where, due to the nature of the buildings and structures of the properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests have therefore been valued by Cost Approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the portions of the property which are currently under construction, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees to be expended to complete the development.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation—Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of various title documents including land title document, certificates of fitness for occupation (now known as certificates of completion and compliance) and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the countries and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have reviewed and considered the legal opinions issued by the legal advisors of the relevant countries given by the Company's legal advisors concerning the validity of the property interests in these countries.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in July and August 2016 by Mr. Tony Yang, Miss Kathryn Hau, Miss Lin Gao and Miss Duyen Nguyen. Mr. Tony Yang, Miss Kathryn and Miss Duyen Nguyen are member of RICS.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in United States Dollar (USD). In valuing property interests, we have adopted an exchange rate of MYR 1 to USD 0.2475 for Group I, IDR 10,000 to USD 0.8 for Group II, SGD 1 to USD 0.7406 for Group IV, THB 1 to USD 0.0283 for Group V and VND 10,000 to USD 0.4 for Group VI, which were approximately the prevailing exchange rate as at the date of valuation.

As advised by the Company, the potential tax liabilities which would arise if the property interests of the Company specified in this report were to be sold mainly include income tax / corporate tax at 24% for Group I, 15% for Group II and III, 17% for Group IV, 20% for Group V and IV, real property gains tax / capital gains tax at 5-30% for Group I, 5% for Group II and III, 20% for Group V and IV. As confirmed by the Company, they have no intention to sell the properties as those properties are mainly occupied for the operation of cemetery business. Therefore, the possibility of incurrence of such tax liabilities is very small.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,  
for and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
**Gilbert C. H. Chan**  
*MRICS MHKIS RPS (GP)*  
*Director*

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*Note: Gilbert C.H. Chan is a Chartered Surveyor who has 23 years' experience in the valuation of properties in Hong Kong and 22 years of property valuation experience in the PRC, the United Kingdom as well as relevant experience in the Asia-Pacific region and Malaysia.*

## SUMMARY OF VALUES

## Group I—Property interests held by the Group in Malaysia

No.	Property	Market value in existing state as at 30 June 2016	Interest attributable to the Group	Market value attributable to the Group as at 30 June 2016
		USD		USD
1.	Nirvana Memorial Park and Nirvana Memorial Garden, Semenyih located at Batu 6, Jalan Kachau 43500, Semenyih, Selangor Darul Ehsan, Malaysia	57,150,000	100%	57,150,000
2.	Nirvana Memorial Park, Sibul located at Sublot 1605, Mile 23, Jalan Oya, 96000 Sibul, Sarawak, Malaysia	2,540,000	100%	2,540,000
3.	Nirvana Memorial Park, Segamat located at Lot 3870-3888, GRN 97628-97647 and GRN 101706, Lot 681 GRN 214842 Jementah, Segamat, Johor Darul Takzim, Malaysia	5,520,000	100%	5,520,000
4.	Nirvana Memorial Park, Sabah located at Mile 15th, Jalan Bukit Giling, Off Jalan Tuaran Lama, Tuaran District, Kota Kinabalu, Sabah, Malaysia	1,920,000	100%	1,920,000
5.	Nirvana Memorial Park, Kulai located at Lot Nos. 762, 764, 768 to 772, 779 to 782 and Lot No. 55348, KM5 Jalan Kota Tinggi, 81000 Kulai, Johor Darul Takzim, Malaysia	8,840,000	100%	8,840,000
6.	Nirvana Memorial Park, Bukit Mertajam located at Jalan Sungai Lembu, Bukit Mertajam, Pulau Pinang, Malaysia	9,560,000	100%	9,560,000



**APPENDIX II**
**PROPERTY VALUATION**
**Group I—Property interests held by the Group in Malaysia (cont'd)**

No.	Property	Market value in existing state as at 30 June 2016	Interest attributable to the Group	Market value attributable to the Group as at 30 June 2016
		USD		USD
7.	Nirvana Memorial Park, Sg Petani located at C19, Lorong 8, Taman Sejata Indah, 08000 Sungai Petani, Kedah Darul Aman, Malaysia	No commercial value		No commercial value
8.	Nirvana Memorial Park, Tiram located at Lot 338, off 20th mile, Jalan Sungai Tiram, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia	257,000	100%	257,000
9.	Nirvana Memorial Park, Shah Alam located at Taman Perkuburan, Section 21, Jalan Pusaka 21/1, Off Persiaran Jubli Perak, 40300 Shah Alam, Selangor Darul Ehsan, Malaysia	4,960,000	100%	4,960,000
10.	Remaining portion of Lot Nos. 9942 and 9987 located at Jeram, Kuala Selangor, Selangor Darul Ehsan, Malaysia	24,750,000	100%	24,750,000
11.	Nirvana Memorial Center located at Wisma Nirvana No. 1, Jalan 1/116A, Off Jalan Sungai Besi, 57100 Kuala Lumpur, Malaysia	9,350,000	100%	9,350,000
12.	Nirvana Memorial Center, Johor Bahru located at Lot No. 2966, KM3, Jalan Gelang Patah, 81300 Skudai, Mukim of Pulau, Johor Darul Takzim, Malaysia	720,000	100%	720,000
13.	Nirvana Center KL (Kwangsi Parlour & Crematorium) located at Lot 568, Jalan Dewan Bahasa, Kuala Lumpur, Malaysia	No commercial value		No commercial value
14.	Kek Lok Si West Lake Garden Columbarium, Penang located at Lot 193, GM69 and Lot 1679, Geran 106014, 11500 Jalan Air Itam, Pulau Pinang, Malaysia	No commercial value		No commercial value

**APPENDIX II****PROPERTY VALUATION****Group I—Property interests held by the Group in Malaysia (cont'd)**

No.	Property	Market value in existing state as at 30 June 2016	Interest attributable to the Group	Market value attributable to the Group as at 30 June 2016
		USD		USD
15.	Lot No. PT 4678 located at Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	No commercial value		No commercial value
16.	Lot No. 10292 located at Seksyen 29, Bandar Klang, Daerah Klang, Negeri Selangor, Malaysia	No commercial value		No commercial value
17.	Located at Unit No. A-3-2, Kuchai Exchange, No. 43, Jalan Kuchai Maju 13, 58200 Kuala Lumpur, Malaysia	185,000	100%	185,000
18.	Located at Unit No. D-13A-1, 14 <sup>th</sup> Floor, Block D, East Lake Residence, Taman Serdang Perdana, Section 3, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia	140,000	100%	140,000
19.	Located at No. 16, Taman Victory, 4th Mile, Jalan Penampang, Kota Kinabalu, Sabah, Malaysia	460,000	100%	460,000
<b>Total:</b>		<b><u>126,352,000</u></b>		<b><u>126,352,000</u></b>

**APPENDIX II**
**PROPERTY VALUATION**
**Group II—Property interests held by the Group in Indonesia**

No.	Property	Market value in existing state as at 30 June 2016	Interest attributable to the Group	Market value attributable to the Group as at 30 June 2016
		USD		USD
20.	Lestari Memorial Park located at Jalan Kuta Tandingan, Desa Margakaya, Kecamatan Telukjambe, Kabupaten Karawang, Jakarta, Indonesia	8,390,000	51%	4,280,000
21.	Nirvana Memorial Park, Medan located at Village of Bingkawan, District of Sibolangit, Regency of Deli Serdang, Province of North Sumatera, Indonesia	17,920,000	70%	12,544,000
22.	Located at No. 34-35, Block D, Komplek Ruko Niaga Roxy Mas, District Gambir, Sub District Cideng, Jakarta Pusat, Indonesia	700,000	51%	357,000
23.	Located at Unit No.1210-1211, 12th Floor, Hayam Wuruk Plaza Tower, Jalan Hayam Wuruk No. 108, District Taman Sari, Sub District Maphar, Jakarta Barat, Indonesia	308,000	51%	157,000
24.	Located at Unit No.3-5, 2 <sup>nd</sup> Floor, Tower Hijau D, Emerald Hill Apartment, Tower, Jalan Interchange Galuhmas, District Teluk Jambe Timur, Sub District Puser Jaya, Kabupaten Karawang, Jawa Barat, Indonesia	18,000	51%	9,000
<b>Total:</b>		<b>27,336,000</b>		<b>17,347,000</b>

**Group III—Property interest to be acquired by the Group in Indonesia**

No.	Property	Market value in existing state as at 30 June 2016	Interest attributable to the Group	Market value attributable to the Group as at 30 June 2016
		USD		USD
25.	Located at Kelurahan Jambe, Kecamatan Tigaraksa Kabupaten Tangerang, Provinsi Banten, Jawa Barat, Indonesia	No commercial value		No commercial value
<b>Total:</b>		<b>No commercial value</b>		<b>No commercial value</b>

## APPENDIX II

## PROPERTY VALUATION

### Group IV—Property interest held by the Group in Singapore

No.	Property	Market value in existing state as at 30 June 2016 USD	Interest attributable to the Group	Market value attributable to the Group as at 30 June 2016 USD
26.	Nirvana Memorial Garden, Singapore located at 950 Old Choa Chu Kang Road, Singapore	59,520,000	100%	59,520,000
<b>Total:</b>		<b><u>59,520,000</u></b>		<b><u>59,520,000</u></b>

### Group V—Property interest held by the Group in Thailand

No.	Property	Market value in existing state as at 30 June 2016 USD	Interest attributable to the Group	Market value attributable to the Group as at 30 June 2016 USD
27.	Nirvana Memorial Park, Banbueng located at Sai Ban Khaophai, Ban Noen Nueng, Ban Nongpaknam Road, Nong-Irun Subdistrict, Banbueng District, Chonburi Province, Thailand	6,100,000	68.8%	4,200,000
<b>Total:</b>		<b><u>6,100,000</u></b>		<b><u>4,200,000</u></b>

### Group VI—Property interest to be acquired by the Group in Vietnam

No.	Property	Market value in existing state as at 30 June 2016 USD	Interest attributable to the Group	Market value attributable to the Group as at 30 June 2016 USD
28.	Dong Nai Memorial Green Hill located at Quang Trung Commune, Thong Nhat District, Dong Nai Province, Vietnam	No commercial value		No commercial value
<b>Total:</b>		<b><u>No commercial value</u></b>		<b><u>No commercial value</u></b>

## VALUATION CERTIFICATE

## Group I—Property interests held by the Group in Malaysia

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016 USD
1.	Nirvana Memorial Park and Nirvana Memorial Garden, Semenyih located at Batu 6, Jalan Kachau 43500, Semenyih, Selangor Darul Ehsan, Malaysia	<p>The property comprises 59 parcels of land with a total site area of approximately 2,775,888.61 sq.m. with several buildings and various ancillary structures erected thereon which were completed in various stages between 1999 and 2012.</p> <p>The buildings have a total gross floor area of approximately 20,471.13 sq.m.</p> <p>The buildings mainly include office, temple, warehouse and columbarium.</p> <p>The structures mainly include boundary walls, roads and landscape.</p> <p>The buildings are fully completed. Certificate of Fitness for Occupation are submitted and pending approval from the local authority.</p> <p>The Properties are held under the following interests:-</p> <p><u>Lot P.T. Nos.1169 to 1171</u> 99- year leasehold expiring on 1 November 2094</p> <p><u>Other Lots</u> Freehold</p>	<p>Apart from portions of the property are currently occupied by Nirvana Memorial Park Sdn. Bhd. for office and ancillary purposes, the remaining property is occupied for cemetery purpose. Some of the vacant lands are used for future development purpose.</p>	<p>57,150,000</p> <p>100% interest attributable to the Group: USD57,150,000</p>

## Notes:

- Nirvana Memorial Park Sdn. Bhd. ("Nirvana Memorial Park") and NV Multi (Beijing) Sdn. Bhd. are wholly-owned subsidiary of the Company.
- Pursuant to 59 copies of title documents provided to us by the Group, the registered proprietors of the property are as follows:-

No.	Lot Nos.	Registered Proprietors
1.	433, 498, 323, 497, 437, 896, 1680 to 1688, 868, 1439, 1282, 1281, 1261, 1263, 1264, 1265 to 1269, 1271, 1170, 1358, 1359, 1360, 1361, 1362, 1365 to 1367, 1295, 1298 and PT. 1169 to 1171	RHB Trustees Berhad
2.	588	PB Trustee Services Berhad
3.	504, 547, 586, 600, 948, 1293, 1294, 1296, 1297, 1300 and 1301	Nirvana Memorial Park Sdn. Bhd.
4.	1270	Luxcon Trading Sdn. Bhd.
5.	1357	HSBC (Malaysia) Trustee Berhad
6.	1364	NV Multi (Beijing) Sdn. Bhd.(formerly known as Spektrum Karisma Sdn. Bhd.)
7.	895	Kenmatrix Sdn. Bhd.
8.	1302	Misi Restu Sdn. Bhd.
3.	As advised by the Company, PB Trustee Services Berhad and HSBC (Malaysia) Trustee Berhad are independent trustees which hold the land on behalf of the Group, whereas Luxcon Trading Sdn. Bhd. and Misi Restu Sdn. Bhd. are independent third parties which are the joint venture partners of the Group. Kenmatrix Sdn. Bhd. Is a wholly-owned subsidiary of the Company.	

4. Pursuant to a Deed of Retirement and Appointment of Trustee made between HSBC (Malaysia) Trustee Berhad (“Retiring Trustee”), OSK Trustees Berhad (now known as RHB Trustees Berhad) (“New Trustee”) and Nirvana Memorial Park Sdn. Bhd. dated 3 December 2012, we noted that OSK Trustees Berhad (now known as RHB Trustees Berhad) is currently the trustee of Nirvana Memorial Park Semenyih Trust Fund.
5. Pursuant to a Trust Deed dated 3 December 1991 made between Nirvana Memorial Park Shd. Bhd. and PB Trustee Services Berhad, a trust fund known as Nirvana Memorial Park Semenyih Trust Fund was created by Nirvana Memorial Park Shd. Bhd. and to pay to account of such trust all monies received as maintenance fee to be held by the trustee.
6. In the valuation of this property, we have attributed no commercial value to the lands owned by the Group’s joint venture partners due to the title of land not belongs to the Group.
7. In the valuation of this property, we have attributed no commercial value to the buildings with a total gross floor area of approximately 20,471.13 sq.m. which have not obtained certificates of fitness for occupation (now known as certificates of completion and compliance) (“CFs/CCCs”). However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the valuation date would be USD3,111,000 assuming all relevant title certificates had been obtained and the building could be freely transferred.
8. As advised by the Company, net book value of the buildings as of 30 June 2016 is RM 35,666,897, Certificate of Fitness for occupation are submitted and pending approval from the local authority.
9. We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company’s Malaysia legal advisers, which contains, inter alia, the following:
  - a. Under the laws, rules and regulations governing land ownership in Malaysia, the registered proprietor/owner is generally not subject to transfer restrictions.
  - b. Save for the lands held by the trustees, joint venture partners and the reserved lands in Ulu Tiram (Johor), Kwangsi Parlour & Columbarium (Kuala Lumpur) and Lock San Thin Parlour (Johor Bahru), and the state land in Shah Alam (Selangor), and subject to the approval of the relevant state authorities (where applicable), the companies are entitled to transfer, lease, mortgage or otherwise dispose of the lands and buildings of the property erected on such lands.
  - c. In Malaysia, pursuant to the terms of the Trust Deeds (as defined below) and sale prospectuses governing the interest schemes approved by the Companies Commission of Malaysia under Part IV Division 5 of the Companies Act, 1965, the lands which are subject to the interest scheme held by the Group’s Malaysian subsidiaries are required to be registered under a trustee’s name to hold such land on trust for the respective management companies.
  - d. The company may sell or offer for sale to the public licenses which give an exclusive right to the licensees to enter into Nirvana Memorial Parks Scheme to use their respective burial plots, ash burial plots and niches in common with other licensees subject to the terms and conditions as may be issued by the management company from time to time. The ownership of the lands remain registered in the name of a trustee who will hold the lands on trust for the management company or the joint venture owners as stated in the respective land titles.
  - e. With respect to lands for which no CFs/CCCs have been issued, we have been informed that there are either no buildings erected on such parcels of land, construction of the buildings have not been completed or the application for CFs/CCCs are currently being undertaken/submitted. Any person who occupies or permits to be occupied any building without a certificate of completion and compliance commits an offence under Section 70(27) of the Street, Drainage and Building Act 1974 and shall be liable to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both.
10. As advised by the Company, the Group is beneficial owner of lands held by trustee on behalf of the Group.
11. As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property :

- |   |   |   |
|---|---|---|
| a) General description of location of the property  | : | The property, also known as Nirvana Memorial Park and Nirvana Memorial Garden, Semenyih is located at Batu 6, Jalan Kachau 43500, Jalan Sungai Lalang, Semenyih, Selangor Darul Ehsan. It is about 49 kilometers from Kuala Lumpur city center. The property is directly accessible from the main road; i.e. Jalan Sungai Lalang. The site of property is in irregular shape. |
| b) Details of encumbrances, liens, pledges, mortgages against the property  | : | Nil   |
| c) Environmental Issue  | : | Not applicable  |
| d) Details of investigations, notices, pending litigation, breaches of law or title defects                             | : | Buildings with a total gross floor area of approximately 20,471.13 sq.m. have not obtained CFs/CCCs.  |
| e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs | : | Nil   |

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
2.	Nirvana Memorial Park, Sibu located at Sublot 1605, Mile 23, Jalan Oya, 96000 Sibu, Sarawak, Malaysia	<p>The property comprises 4 parcels of land with a total site area of approximately 368,412.05 sq.m. with several buildings and various ancillary structures erected thereon which were completed in various stages between 2004 and 2006.</p> <p>The buildings have a total gross floor area of approximately 1,657.51 sq.m.</p> <p>The buildings mainly include chapel/ christian columbarium, Buddhist columbarium, site office, crematorium, pavilion, lavatories and guard house.</p> <p>The structures mainly include boundary walls, roads and landscape.</p> <p>The buildings have been issued with Occupation Permit by Majlis Daerah Luar Bandar Sibu Sarawak on 17 June 2013.</p> <p>The Property is held under freehold interests.</p>	<p>Apart from portions of the property are occupied by Nirvana Memorial Park (Sibu) Sdn. Bhd. for office, crematorium and ancillary purposes, the remaining property is occupied for cemetery purpose.</p>	<p>2,540,000</p> <p>100% interest attributable to the Group: USD2,540,000</p>

## Notes:

- Nirvana Memorial Park (Sibu) Sdn. Bhd. is a wholly-owned subsidiary of the Company.
- Pursuant to 4 copies of title documents provided to us by the Group, we noted that the registered proprietors of the property are as follows:-

No.	Lot Nos.	Registered Proprietors
1.	Lot 211 (being amalgamated from Lots 1130, 1132 and 1605) ("Lot 211"), Block 24, Pasai-Siong Land District, Sibu Division, Sarawak	RHB Trustees Berhad
2.	Lot 152, Block 24, Pasai-Siong Land District, Sibu Division, Sarawak	½ shares holds by Tiasa Muhibah Sdn. Bhd. and ½ shares holds by Bangsa Wangsa Sendirian Berhad
3.	Lot 1242, Pasai-Siong Land District, Sibu Division, Sarawak	Bangsa Wangsa Sendirian Berhad
4.	Lot 1399, Pasai-Siong Land District, Sibu Division, Sarawak	Tiasa Muhibah Sdn. Bhd.
3.	As advised by the Company, Tiasa Muhibah Sdn. Bhd. and Bangsa Wangsa Sendirian Berhad are independent third parties which are the joint venture partners of the Group.	
4.	The following Joint Venture Agreements have been entered into between Bangsa Wangsa Sendirian Berhad and Tiasa Muhibah Sdn. Bhd. respectively ("the Landowner") with Nirvana Memorial Park (Sibu) Sdn. Bhd. ("the Developer"):	
i.	Joint Venture Agreement dated 16 February 2011 between Tiasa Muhibah Sdn. Bhd. and Nirvana Memorial Park (Sibu) Sdn. Bhd. in respect of Lot 152;	
ii.	Joint Venture Agreement dated 16 February 2011 between Bangsa Wangsa Sendirian Berhad and Nirvana Memorial Park (Sibu) Sdn. Bhd. in respect of Lot 1242;	
iii.	Joint Venture Agreement dated 16 February 2011 between Tiasa Muhibah Sdn. Bhd. and Nirvana Memorial Park (Sibu) Sdn. Bhd. in respect of Lot 1399.	
	(Collectively, "Joint Venture Agreements")	
5.	Pursuant to the Joint Venture Agreements, the Landowner has agreed to enter into a joint-venture with the Developer for the development of the cemetery and the marketing of the burial plots and niches. The Landowner has applied for and obtained the approval from the State Authority of Sarawak for the use of the properties as a cemetery.	



6. Simultaneously upon the execution of the Joint Venture Agreements, “the Landowner” shall transfer the properties to the Developer’s appointed trustee to be held by such trustee upon trust for the Developer. Further, from the Joint Venture Agreements we also noted that both parties the Developer and the Landowner have agreed that entered into a joint-venture for the development of the cemetery and the marketing of the burial plots and niches with the net proceeds of sale received by “the Developer” shall be shared between the Developer and the Landowner.
7. Pursuant to a Deed of Retirement and Appointment of Trustee made between HSBC (Malaysia) Trustee Berhad (“Retiring Trustee”), OSK Trustees Berhad (now known as RHB Trustees Berhad) (“New Trustee”) and Nirvana Memorial Park (Sibu) Sdn. Bhd. (“the Developer”) dated 3 December 2012, we noted that OSK Trustees Berhad (now known as RHB Trustees Berhad) is currently the trustee of Nirvana Memorial Park—Sibu Trust Fund.
8. Pursuant to a Trust Deed dated 23 December 2004 made between Nirvana Memorial Park (Sibu) Sdn. Bhd. and BHLB Trustee Berhad (retired according to a Deed of Retirement and Appointment of trustee dated 30 March 2006 and HSBC (Malaysia) Trustee Berhad was appointed the trustee of the trust), a trust fund known as Nirvana Memorial Park – Sibu Trust Fund was created by Nirvana Memorial Park (Sibu) Sdn. Bhd. and to pay to account of such trust all monies received as maintenance fee to be held by the trustee.
9. In the valuation of this property, we have attributed no commercial value to the lands owned by the Group’s joint venture partners due to the title of land not belongs to the Group.
10. We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company’s Malaysia legal advisers, which contains, inter alia, the following:
  - a. Under the laws, rules and regulations governing land ownership in Malaysia, the registered proprietor/owner is generally not subject to transfer restrictions.
  - b. Save for the lands held by the trustees, joint venture partners and the reserved lands in Ulu Tiram (Johor), Kwangsi Parlour & Columbarium (Kuala Lumpur) and Lock San Thin Parlour (Johor Bahru), and the state land in Shah Alam (Selangor), and subject to the approval of the relevant state authorities (where applicable), the companies are entitled to transfer, lease, mortgage or otherwise dispose of the lands and buildings of the property erected on such lands.
  - c. In Malaysia, pursuant to the terms of the Trust Deeds (as defined below) and sale prospectuses governing the interest schemes approved by the Companies Commission of Malaysia under Part IV Division 5 of the Companies Act, 1965, the lands which are subject to the interest scheme held by the Group’s Malaysian subsidiaries are required to be registered under a trustee’s name to hold such land on trust for the respective management companies.
  - d. The company may sell or offer for sale to the public licenses which give an exclusive right to the licensees to enter into Nirvana Memorial Parks Scheme to use their respective burial plots, ash burial plots and niches in common with other licensees subject to the terms and conditions as may be issued by the management company from time to time. The ownership of the lands remain registered in the name of a trustee who will hold the lands on trust for the management company or the joint venture owners as stated in the respective land titles.
  - e. A Power of Attorney (Irrevocable) granted to Nirvana Memorial Park (Sibu) Sdn. Bhd. vide L.3605/2013 registered on 25 March 2013 (affecting Tiasa Muhibah Sdn. Bhd. ½ share on Lot 152 and 1 other title namely Lot 1399).
  - f. A Power of Attorney (Irrevocable) granted to Nirvana Memorial Park (Sibu) Sdn. Bhd. vide L.4293/2013 registered on 9 April 2013 (affecting Bangsa Wangsa Sendirian Berhad’s ½ share on Lot 152)
  - g. A Power of Attorney (Irrevocable) granted to Nirvana Memorial Park (Sibu) Sdn. Bhd. vide L.3622/2013 registered on 25 March 2013 with regard to Lot 1242.
  - h. A Power of Attorney (Irrevocable) granted to Bangsa Wangsa Sendirian Berhad for RM10.00 vide L.3685/2006 registered on 30 March 2006 with regard to Lot 1399.
11. As advised by the Company, the Group is beneficial owner of lands held by trustee on behalf of the Group.
12. As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property :

- |   |   |   |
|---|---|---|
| a) General description of location of the property  | : | The property, also known as Nirvana Memorial Park, Sibu is located at Sublot 1605, Mile 23, Jalan Oya, 96000 Sibu, Sarawak. It is about 36.80 kilometers from the town of Sibu. The property is directly accessible from the main road; i.e. Jalan Oya. The site of property is in irregular shape. |
| b) Details of encumbrances, liens, pledges, mortgages against the property  | : | A private caveat has been lodged against Lot 211 by Nirvana Memorial Park (Sibu) Sdn. Bhd. on 10/03/2015 vide presentation no. L-2604/2015.   |
| c) Environmental Issue  | : | Not applicable.   |
| d) Details of investigations, notices, pending litigation, breaches of law or title defects                             | : | Nil   |
| e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs | : | Nil   |

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
3.	Nirvana Memorial Park, Segamat located at Lot 3870-3888, GRN 97628-97647 and GRN 101706, Lot 681 GRN 214842 Jementah, Segamat, Johor Darul Takzim, Malaysia	<p>The property comprises 20 parcels of land with a total site area of approximately 405,997.23 sq.m. with several buildings and various ancillary structures erected thereon which were completed in various stages between 2009 and 2011.</p> <p>The buildings have a total gross floor area of approximately 1,562.89 sq.m.</p> <p>The buildings mainly include office, temple, lavatory, crematorium and columbarium.</p> <p>The structures mainly include boundary walls, roads and landscape.</p> <p>The buildings are fully completed. Certificate of Fitness for Occupation are submitted and pending approval from the local authority.</p> <p>The Property is held under freehold interests.</p>	<p>Apart from portions of the property are currently occupied by Nirvana Memorial Park, (Segamat)Sdn. Bhd. for office, crematorium, and ancillary purposes, the remaining property is occupied for cemetery purpose. Some of the vacant lands are used for future development purpose.</p>	<p>5,520,000</p> <p>100% interest attributable to the Group: USD5,520,000</p>

*Notes:*

1. Nirvana Memorial Park (Segamat) Sdn. Bhd. and Nirvana Memorial Park (Johor) Sdn. Bhd. (now known as Twin Eagle Garden Sdn. Bhd.) are wholly-owned subsidiary of the Company.
2. Pursuant to 20 copies of title documents provided to us by the Group, we noted that OSK Trustees Berhad (now known as RHB Trustees Berhad) is the registered proprietor of the Property; i.e. Geran 97628 to 97634, 97637 to 97647 and 101706, Lot Nos. 3870 to 3876, 3877 to 3887 and 3888 respectively in Mukim of Jementah, District of Segamat, State of Johor Darul Takzim and Geran 21482, Lot 681 in Mukim Tangkak, District Ledang, State of Johor Darul Takzim. RHB Trustee is now the registered proprietor of the Property as informed by the Company on 4 September 2014.
3. Pursuant to a Deed of Retirement and Appointment of Trustee dated made between HSBC (Malaysia) Trustee Berhad ("Retiring Trustee"), OSK Trustees Berhad (now known as RHB Trustees Berhad) ("New Trustee") and Nirvana Memorial Park (Segamat) Sdn. Bhd. dated 12 December 2012, we noted that OSK Trustees Berhad (now known as RHB Trustees Berhad) is currently the trustee of Nirvana Memorial Park—Segamat Trust Fund.
4. Pursuant to a Trust Deed dated 23 December 2004 made between Nirvana Memorial Park (Johor) Sdn. Bhd. (now known as Twin Eagle Garden Sdn. Bhd) and BHLB Trustee Berhad (retired according to a Deed of Retirement and Appointment of trustee dated 30 March 2006 and HSBC (Malaysia) Trustee Berhad was appointed the trustee of the trust), a trust fund known as Nirvana Memorial Park – Segamat Trust Fund was created by Nirvana Memorial Park (Johor) Sdn. Bhd. and to pay to account of such trust all monies received as maintenance fee to be held by the trustee.
5. In the valuation of this property, we have attributed no commercial value to the buildings with a total gross floor area of approximately 1,562.89 sq.m. which have not obtained certificates of fitness for occupation (now known as certificates of completion and compliance) ("CFs/CCCs"). However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the valuation date would be USD335,000 assuming all relevant title certificates had been obtained and the building could be freely transferred.
6. As advised by the Company, net book value of the buildings as of 30 June 2016 is RM 1,059,418, Certificate of Fitness for occupation are submitted and pending approval from the local authority.
7. We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company's Malaysia legal advisers, which contains, inter alia, the following:
  - a. Under the laws, rules and regulations governing land ownership in Malaysia, the registered proprietor/owner is generally not subject to transfer restrictions.

- b. Save for the lands held by the trustees, joint venture partners and the reserved lands in Ulu Tiram (Johor), Kwangsi Parlour & Columbarium (Kuala Lumpur) and Lock San Thin Parlour (Johor Bahru), and the state land in Shah Alam (Selangor), and subject to the approval of the relevant state authorities (where applicable), the companies are entitled to transfer, lease, mortgage or otherwise dispose of the lands and buildings of the property erected on such lands.
  - c. In Malaysia, pursuant to the terms of the Trust Deeds (as defined below) and sale prospectuses governing the interest schemes approved by the Companies Commission of Malaysia under Part IV Division 5 of the Companies Act, 1965, the lands which are subject to the interest scheme held by the Group's Malaysian subsidiaries are required to be registered under a trustee's name to hold such land on trust for the respective management companies.
8. As advised by the Company, the Group is beneficial owner of lands held by trustee on behalf of the Group.
9. As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property :

- a) General description of location of the property : The property, also known as Nirvana Memorial Park, Segamat is located at Lot 3870-3888 GRN 97628-97647 and GRN 101706, Lot 681 GRN 214842, Jementah, Segamat, Johor Darul Takzim. It is about 30 kilometers and 25 kilometers from the town of Tangkak and Segamat respectively. The property is accessible via the above mentioned Tangkak and Segamat downtown via Jalan Tangkak—Segamat, exit at Taman Jementah Baru. The property is located at about 500 meters through a laterite road. The site of the property is in irregular shape.
- b) Details of encumbrances, liens, pledges, mortgages against the property : Nil.
- c) Environmental Issue : Not applicable.
- d) Details of investigations, notices, pending litigation, breaches of law or title defects : Buildings with a total gross floor area of approximately 1,562.89 sq.m. have not obtained CFs/CCCs.
- e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs : Nil.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016 USD
4.	Nirvana Memorial Park, Sabah located at Mile 15th, Jalan Bukit Giling, Off Jalan Tuaran Lama, Tuaran District, Kota Kinabalu, Sabah, Malaysia	<p>The property comprises 6 parcels of land with a total site area of approximately 557,737.75 sq.m. with several buildings and various ancillary structures erected thereon which were completed in various stages between 2002 and 2004.</p> <p>The buildings have a total gross floor area of approximately 857.68 sq.m.</p> <p>The buildings mainly include columbarium, site office, temple, lavatories and guard house.</p> <p>The structures include boundary walls, roads and landscape.</p> <p>The buildings have been issued with Occupation Certificate by Majlis Daerah Tuaran Sabah on 11 April 2014.</p> <p>The properties are held under the following leasehold interests:-</p> <p><u>99-year leasehold interest</u> Country Lease Nos. 045145739, 045139526, 045145748, 045281847, 045139535, and Register of Native Title No. 043136367.</p>	<p>Apart from portions of the property are occupied by Nirvana Memorial Park(Sabah) Sdn. Bhd. for office and ancillary purpose, the remaining property is occupied for cemetery purpose.</p>	<p>1,920,000</p> <p>100% interest attributable to the Group: USD1,920,000</p>

*Notes:*

- Nirvana Memorial Park (Sabah) Sdn. Bhd. is a wholly-owned subsidiary of the Company.
- Pursuant to the 6 copies of title documents provided to us by the Group, we noted that the registered proprietors of the properties are as follows:-

No.	Lot Nos.	Registered Proprietors
1.	Country Lease No. 045145739, 045139526, 045145748, 045281847	Istimaju Sdn. Bhd.
2.	Register of Native Title No. 043136367	Faridah @ Shirley Binti Abin
3.	Country Lease No. 045139535	Nirvana Memorial Park (Sabah) Sdn. Bhd.
3.	As advised by the Company, Istimaju Sdn. Bhd. and Faridah @ Shirley Binti Abin are independent third parties which are the joint venture partners of the Group.	
4.	Pursuant to a Deed of Retirement and Appointment of Trustee made between HSBC (Malaysia) Trustee Berhad ("Retiring Trustee"), OSK Trustees Berhad (now known as RHB Trustees Berhad) ("New Trustee") and Nirvana Memorial Park (Sabah) Sdn. Bhd. dated 3 December 2012, we noted that OSK Trustees Berhad (now known as RHB Trustees Berhad) is currently the trustee of Nirvana Memorial Park Sabah—KK Trust Fund.	
5.	Pursuant to a Trust Deed dated 29 June 1999 made between Nir-warna (Sabah) Sdn. Bhd. (now known as Nirvana Memorial Park (Sabah) Shd. Bhd.) and BHLB Trustee Berhad (retired according to a Deed of Retirement and Appointment of trustee dated 30 March 2006 and HSBC (Malaysia) Trustee Berhad was appointed the trustee of the trust), a trust fund known as Nirvana Memorial Park Sabah-KK Trust Fund was created by Nir-warna (Sabah) Sdn. Bhd. (now known as Nirvana Memorial Park (Sabah) Shd. Bhd.) and to pay to account of such trust all monies received as maintenance fee to be held by the trustee.	

6. In the valuation of this property, we have attributed no commercial value to the lands owned by the Group's joint venture partners due to the title of land not belongs to the Group.
7. We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company's Malaysia legal advisers, which contains, inter alia, the following:
  - a. Under the laws, rules and regulations governing land ownership in Malaysia, the registered proprietor/owner is generally not subject to transfer restrictions.
  - b. Save for the lands held by the trustees, joint venture partners and the reserved lands in Ulu Tiram (Johor), Kwangsi Parlour & Columbarium (Kuala Lumpur) and Lock San Thin Parlour (Johor Bahru), and the state land in Shah Alam (Selangor), and subject to the approval of the relevant state authorities (where applicable), the companies are entitled to transfer, lease, mortgage or otherwise dispose of the lands and buildings of the property erected on such lands.
  - c. In Malaysia, pursuant to the terms of the Trust Deeds (as defined below) and sale prospectuses governing the interest schemes approved by the Companies Commission of Malaysia under Part IV Division 5 of the Companies Act, 1965, the lands which are subject to the interest scheme held by the Group's Malaysian subsidiaries are required to be registered under a trustee's name to hold such land on trust for the respective management companies.
  - d. The company may sell or offer for sale to the public licenses which give an exclusive right to the licensees to enter into Nirvana Memorial Parks Scheme to use their respective burial plots, ash burial plots and niches in common with other licensees subject to the terms and conditions as may be issued by the management company from time to time. The ownership of the lands remain registered in the name of a trustee who will hold the lands on trust for the management company or the joint venture owners as stated in the respective land titles.
8. As advised by the Company, the Group is beneficial owner of lands held by trustee on behalf of the Group.
9. As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property :

- |   |   |  |
|---|---|--|
| a) General description of location of the property  | : | The property, also known as Nirvana Memorial Park, Sabah is located at Mile 15th, Jalan Bukit Giling, Off Jalan Tuaran Lama, Tuaran District, Kota Kinabalu, Sabah. It is about 24 kilometers from the town of Kota Kinabalu. The Property is directly accessible from Jalan Bukit Giling. The site of property is irregular in shape. |
| b) Details of encumbrances, liens, pledges, mortgages against the property  | : | Nil  |
| c) Environmental Issue  | : | Not applicable.  |
| d) Details of investigations, notices, pending litigation, breaches of law or title defects                             | : | Nil  |
| e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs | : | Nil  |

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
5.	Nirvana Memorial Park, Kulai located at Lot Nos. 762, 764, 768 to 772, 779 to 782 and Lot No. 55348, KM5 Jalan Kota Tinggi, 81000 Kulai, Johor Darul Takzim, Malaysia	<p>The property comprises 12 parcels of land with a total site area of approximately 414,033.21 sq.m. with several buildings and various ancillary structures erected thereon which were completed in various stages between 2009 and 2011.</p> <p>The buildings have a total gross floor area of approximately 8,754.27 sq.m.</p> <p>The buildings mainly include office, temple, columbariums, crematorium, memory service, rest room, store and lavatories.</p> <p>The structures mainly include boundary walls, roads and landscape.</p> <p>The buildings have been issued with Certificate of Fitness for Occupation by Majlis Perbandaran Kulai on 18 December 2013.</p> <p>The Property is held under freehold interests.</p>	<p>Apart from portions of the property are occupied by Nirvana Memorial Park, (Kulai) Sdn. Bhd. for office, crematorium and ancillary purposes, the remaining property is occupied cemetery purpose. Some of the vacant lands are used for future development purpose.</p>	<p>8,840,000</p> <p>100% interest attributable to the Group:</p> <p>USD8,840,000</p>

*Notes:*

- Nirvana Memorial Park (Kulai) Sdn. Bhd. is a wholly-owned subsidiary of the Company.
- Pursuant to the 12 copies of title documents provided to us by the Group, we noted that HSBC (Malaysia) Trustee Berhad is the registered proprietor for Lot Nos. 768 to 770 and 772, Mukim of Senai, District of Kulaijaya, State of Johor Darul Takzim, RHB Trustees Berhad is the registered proprietor of Lot No. 55348, Mukim of Senai, District of Kulaijaya, State of Johor Darul Takzim, whilst Nirvana Memorial Park (Kulai) Sdn. Bhd. is the registered proprietor for Lot Nos. 762, 764, 771, 779, 780, 781 and 782, Mukim of Senai, District of Kulaijaya, State of Johor Darul Takzim.
- Pursuant to a Deed of Retirement and Appointment of Trustee dated made between HSBC (Malaysia) Trustee Berhad ("Retiring Trustee"), OSK Trustees Berhad (now known as RHB Trustees Berhad) ("New Trustee") and Nirvana Memorial Park (Kulai) Sdn. Bhd. dated 12 December 2012, we noted that OSK Trustees Berhad (now known as RHB Trustees Berhad) is currently the trustee of Nirvana Memorial Park Kulai—Johor Trust Fund.
- We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company's Malaysia legal advisers, which contains, inter alia, the following:
  - Under the laws, rules and regulations governing land ownership in Malaysia, the registered proprietor/owner is generally not subject to transfer restrictions.
  - Save for the lands held by the trustees, joint venture partners and the reserved lands in Ulu Tiram (Johor), Kwangsi Parlour & Columbarium (Kuala Lumpur) and Lock San Thin Parlour (Johor Bahru), and the state land in Shah Alam (Selangor), and subject to the approval of the relevant state authorities (where applicable), the companies are entitled to transfer, lease, mortgage or otherwise dispose of the lands and buildings of the property erected on such lands.
  - In Malaysia, pursuant to the terms of the Trust Deeds (as defined below) and sale prospectuses governing the interest schemes approved by the Companies Commission of Malaysia under Part IV Division 5 of the Companies Act, 1965, the lands which are subject to the interest scheme held by the Group's Malaysian subsidiaries are required to be registered under a trustee's name to hold such land on trust for the respective management companies.
  - The company may sell or offer for sale to the public licenses which give an exclusive right to the licensees to enter into Nirvana Memorial Parks Scheme to use their respective burial plots, ash burial plots and niches in common with other licensees subject to the terms and conditions as may be issued by the management company from time to time. The ownership of the lands remain registered in the name of a trustee who will hold the lands on trust for the management company or the joint venture owners as stated in the respective land titles.
- As advised by the Company, the Group is beneficial owner of lands held by trustee on behalf of the Group.

6. As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property :

- |   |   |   |
|---|---|---|
| a) General description of location of the property  | : | The property, also known as Nirvana Memorial Park, Kulai is located at 766 & 767, KM5 Jalan Kota Tinggi, 81000 Kulai, Johor Darul Takzim. It is located about 5 kilometers and 10 kilometers from the town of Kulai and Senai respectively. It is also located about 30 kilometers from Johor Bahru city center. The site of property is in L-shaped. |
| b) Details of encumbrances, liens, pledges, mortgages against the property  | : | Nil.  |
| c) Environmental Issue  | : | Not applicable.   |
| d) Details of investigations, notices, pending litigation, breaches of law or title defects                             | : | Nil.  |
| e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs | : | Nil.  |



## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
6.	Nirvana Memorial Park, Bukit Mertajam, located at Jalan Sungai Lembu, Bukit Mertajam, Pulau Pinang	<p>The property comprises 16 parcels of land with a total site area of approximately 403,626.17 sq.m. with several buildings and various ancillary structures erected thereon which were completed in various stages between 2007 and 2008.</p> <p>The buildings have a total gross floor area of approximately 3,656 sq.m.</p> <p>The buildings mainly include office, multi-purpose hall and columbarium.</p> <p>The structures mainly include boundary walls, roads and landscape.</p> <p>The buildings with a total gross floor area of approximately 3,656 sq.m. have been issued with Certificate of Fitness for Occupation by Majlis Perbandaran Pulau Pinang on 22 July 2011</p> <p>All of the lands are held under freehold interests except for Lot 1387 and 1388, P.T. No. 199 which is 60-year leasehold interests with unexpired term of about 48 years expiring on 19 February 2064.</p>	<p>Apart from portions of the property are occupied by Nirvana Memorial Park (Bukit Mertajam) Berhad for office and ancillary purposes, the remaining property is occupied for cemetery purpose. Some of the vacant lands are used for future development purpose.</p>	<p>9,560,000</p> <p>100% interest attributable to the Group: USD9,560,000</p>

## Notes:

- Nirvana Memorial Park (Bukit Mertajam) Berhad (formerly known as Blissful Memorial Park Berhad) is a wholly-owned subsidiary of the Company
- Pursuant to the 16 copies of title documents provided to us by the Group, we noted that the registered proprietors of the properties are as follows:-

No.	Lot Nos.	Registered Proprietors
1.	Lots 1387, 1388 and P.T. 199	Nicosia Development Sdn. Bhd.
2.	Lots 336, 911, 912, 1161, 1162, 1157, 1163, 1558	RHB Trustee Berhad
3.	Lots 385, 374, 1165, 1877, 1878	Blissful Memorial Park Berhad (now known as Nirvana Memorial Park (Bukit Mertajam) Berhad)

- As advised by the Company, RHB Trustee Berhad is independent third party which hold the land on behalf of the Group, whereas Nicosia Development Sdn. Bhd. is independent third party which is the joint venture partner of the Group.
- In the valuation of this property, we have attributed no commercial value to the lands owned by the Group's joint venture partners due to the title of land not belongs to the Group.
- Pursuant to a Trust Deed dated 16 April 2014 made between RHB Trustees Berhad ("the Trustee") and Blissful Memorial Park Berhad (now known as Nirvana Memorial Park (Bukit Mertajam) Berhad), we noted that RHB Trustees Berhad is currently the trustee of Blissful-Nirvana Memorial Park, Bukit Mertajam (now known as Nirvana Memorial Park (Bukit Mertajam)).
- We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company's Malaysia legal advisers, which contains, inter alia, the following:
  - Under the laws, rules and regulations governing land ownership in Malaysia, the registered proprietor/owner is generally not subject to transfer restrictions.
  - Save for the lands held by the trustees, joint venture partners and the reserved lands in Ulu Tiram (Johor), Kwangsi Parlour & Columbarium (Kuala Lumpur) and Lock San Thin Parlour (Johor Bahru), and the state land in Shah Alam (Selangor), and subject to the approval of the relevant state authorities (where applicable), the companies are entitled to transfer, lease, mortgage or otherwise dispose of the lands and buildings of the property erected on such lands.

- c. In Malaysia, pursuant to the terms of the Trust Deeds (as defined below) and sale prospectuses governing the interest schemes approved by the Companies Commission of Malaysia under Part IV Division 5 of the Companies Act, 1965, the lands which are subject to the interest scheme held by the Group's Malaysian subsidiaries are required to be registered under a trustee's name to hold such land on trust for the respective management companies.
  - d. The company may sell or offer for sale to the public licenses which give an exclusive right to the licensees to enter into Nirvana Memorial Parks Bukit Mertajam Scheme to use their respective burial plots, ash burial plots and niches in common with other licensees subject to the terms and conditions as may be issued by the management company from time to time. The ownership of the lands remain registered in the name of a trustee who will hold the lands on trust for the management company or the joint venture owners as stated in the respective land titles.
7. As advised by the Company, the Group is beneficial owner of lands held by trustee on behalf of the Group.
  8. As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property :

- |    |  |   |  |
|----|--|---|--|
| a) | General description of location of the property  | : | The property, now known as Nirvana Memorial Park, Bukit Mertajam, is located at Jalan Sungai Lembu, Bukit Mertajam, Pulau Pinang. It is about 1.5 kilometers and 10 kilometers to the town of Sungai Lembu and Machang Bubuk respectively. The property is directly accessible from the main road, Jalan Sungai Lembu. The site of property is in irregular shape. |
| b) | Details of encumbrances, liens, pledges, mortgages against the property  | : | <p><u>Lot 1157, 1161 and 1163</u></p> <p>An easement has been registered against the title vide presentation no. 0799SC2012033961 on 21/09/2012 for indefinite term together with a power of attorney : 0799SW1985000890</p>   |
| c) | Environmental Issue  | : | Not applicable.  |
| d) | Details of investigations, notices, pending litigation, breaches of law or title defects                             | : | Nil  |
| e) | Future plans for construction, renovation, improvement or development of the property and estimated associated costs | : | An application has been made to the local authorities; i.e. Majlis Perbandaran Seberang Perai for the Property to be developed as a private cemetery.  |

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016 USD
7.	Nirvana Memorial Park, Sg Petani located at C19, Lorong 8, Taman Sejata Indah, 08000 Sungai Petani, Kedah Darul Aman, Malaysia	<p>The property comprises a parcel of land with a total site area of approximately 454,259.63 sq.m. with a columbarium which was completed in 2011.</p> <p>The columbarium has a total gross floor area of approximately 406.26 sq.m.</p> <p>The structures mainly include roads and landscape.</p> <p>Certificate of Fitness for Occupation has not been issued yet and the building approval for columbarium have not been provided yet.</p> <p>The property is held under freehold interest.</p>	The property are occupied by Nirvana Memorial Park (Sg Petani) Berhad for cemetery purpose.	No commercial value

*Notes:*

1. Nirvana Memorial Park (Sg Petani) Berhad (formerly known as Blissful Memorial Park (SP) Berhad) is a wholly-owned subsidiary of the Company.
2. Pursuant to a photocopy of title document provided to us by the Group, we noted the Gabungan Persatuan Orang-Orang Cina, Sungai Petani, Kedah (Society Registration Number 1851) is the registered proprietor of Geran 95720 Lot 683, Bandar Sungai Petani, Daerah Kuala Muda, Negeri Kedah and a private caveat has been lodged by Blissful Memorial Park (SP) Berhad (now known as Nirvana Memorial Park (Sg Petani) Berhad) pursuant to Presentation No. 3507/2007, dated 7 June 2007.
3. Pursuant to a joint venture agreement dated 20 November 2006 entered into between Gabungan Persatuan Orang-Orang Cina, Sungai Petani and Blissful-Nirvana Memorial Park, Sungai Petani (now known as Nirvana Memorial Park, Sg Petani), the Group has developed a memorial park consists of burial plots and columbaria in ancient Chinese architectural designs as well as conventional structures complete with hard and soft landscape. As advised by the Group, net book value of the property as of 30 June 2016 is RM17,064,799.
4. In the valuation of this property, we have attributed no commercial value to the buildings with a total gross floor area of approximately 406.26 sq.m. which have not obtained certificates of fitness for occupation (now known as certificates of completion and compliance) ("CFs/CCCs"). However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the valuation date would be USD104,000 assuming all relevant title certificates had been obtained and the building could be freely transferred.
5. We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company's Malaysia legal advisers, which contains, inter alia, the following:
  - a. Save for the lands held by the trustees, joint venture partners and the reserved lands in Ulu Tiram (Johor), Kwangsi Parlour & Columbarium (Kuala Lumpur) and Lock San Thin Parlour (Johor Bahru), and the state land in Shah Alam (Selangor), and subject to the approval of the relevant state authorities (where applicable), the companies are entitled to transfer, lease, mortgage or otherwise dispose of the lands and buildings of the property erected on such lands.
  - b. In Malaysia, the company may sell or offer for sale to the public licenses which give an exclusive right to the licensees to enter into Nirvana Memorial Parks, Sungai Petani Scheme to use their respective burial plots, ash burial plots and niches in common with other licensees subject to the terms and conditions as may be issued by the management company from time to time. The ownership of the lands remain registered in the name of a trustee who will hold the lands on trust for the management company or the joint venture owners as stated in the respective land titles.
  - c. With respect to lands for which no CFs/CCCs have been issued, we have been informed that there are either no buildings erected on such parcels of land, construction of the buildings have not been completed or the application for CFs/CCCs are currently being undertaken/submitted. Any person who occupies or permits to be occupied any building without a certificate of completion and compliance commits an offence under Section 70(27) of the Street, Drainage and Building Act 1974 and shall be liable to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both.

6. As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property :

- |    |  |   |  |
|----|--|---|--|
| a) | General description of location of the property  | : | The Property, also known Nirvana Memorial Park, Sungai Petani, is located at the southern side of Jalan Lencongan Timur, Sungai Petani, Kedah Darul Aman. It is about 10 kilometers to the south-east of the town center of Sungai Petani. The Property is accessible from the main road i.e. Jalan Lencongan Timur and thereafter turning onto several metalled roads within Cendana Industrial Estate. The site of property is in irregular shape. |
| b) | Details of encumbrances, liens, pledges, mortgages against the property  | : | A private caveat has been lodged against the land vide Presentation No. 3507/2007 by Nirvana Memorial Park (Sg Petani) Berhad (formerly known as Blissful Memorial Park (SP) Berhad) on 7 June 2007.   |
| c) | Environmental Issue  | : | Not applicable.  |
| d) | Details of investigations, notices, pending litigation, breaches of law or title defects                             | : | Nil  |
| e) | Future plans for construction, renovation, improvement or development of the property and estimated associated costs | : | Nil  |

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
8.	Nirvana Memorial Park, Tiram, located at Lot 338, off 20th mile, Jalan Sungai Tiram, 81800 Ulu Tiram, Johor Darul Takzim, Malaysia	<p>The property comprises a parcel of land which has been gazetted as “Chinese Cemetery Reserves” with a total site area of approximately 44,616.59 sq.m. with several buildings and various ancillary structures erected thereon which were completed in various stages between 2004 and 2006.</p> <p>The buildings have a total gross floor area of approximately 1,201.25 sq.m.</p> <p>The buildings mainly include office, columbariums, temple, lavatory, crematorium and guard house.</p> <p>The structures include boundary walls, roads and landscape.</p> <p>The buildings are completed with Certificate of Fitness for Occupation.</p> <p>The land use rights of the property have been allocated to the Nirvana Memorial Park (Tiram) Sdn. Bhd. (formerly known as Tiram Memorial Park Sdn. Bhd.) by The Management Committee of Chinese Cemetery, Ulu Tiram, Johore (Society Registration Number 490 Johore) via a Joint Venture Agreement for cemetery use purposes.</p>	<p>Apart from portions of the property are occupied by Nirvana Memorial Park (Tiram) Sdn. Bhd. for office, crematorium and ancillary purposes, the remaining property is occupied for cemetery purpose.</p>	<p>257,000</p> <p>100% interest attributable to the Group: USD257,000</p>

*Notes:*

1. Nirvana Memorial Park (Tiram) Sdn. Bhd. is a 100% owned subsidiary of the Company.
2. Pursuant to a photocopy of Gazette No. 27 dated 4 January 1933 provided by the Group, we understand that the Property, Lot No. 338, Mukim of Sungei Tiram, District of Kota Tinggi, State of Johor Darul Takzim has been reserved for “a place for the interment of the dead of the Chinese community” and is to be maintained by Tan Yong Tim and his duly authorised successors.
3. The Management Committee of Chinese Cemetery, Ulu Tiram, Johore (Society Registration Number 490 Johore) is the designated management body of the subject land.
4. Pursuant to a Joint Venture Agreement made between Tiram Memorial Park Sdn. Bhd. (currently known as Nirvana Memorial Park (Tiram) Sdn. Bhd.) and The Management Committee of Chinese Cemetery, Ulu Tiram, Johore (Society Registration Number 490 Johore) dated 29 June 2001, we noted that The Management Committee of Chinese Cemetery, Ulu Tiram, Johore is the designated management body of the subject land. Both parties entered into a joint-venture for the purpose of constructing a modern cemetery park on the subject land whereby Nirvana Memorial Park (Tiram) Sdn. Bhd. is given the mandate to enter and possessed the subject land for the development of a cemetery park but shall incur all development expenditures and expenses. However, a portion of the proceeds from sale of the burial grounds and columbariums by them shall be kept in two separate funds.
5. Pursuant to a Supplemental Agreement made between Tiram Memorial Park Sdn. Bhd. (now known as Nirvana Memorial Park (Tiram) Sdn. Bhd.) and The Management Committee of the Chinese Cemetery, Ulu Tiram Johore dated 7 January 2002, the perpetual care fund shall be at a fixed quantum.
6. Pursuant to a Deed of Retirement and Appointment of Trustee made between HSBC (Malaysia) Trustee Berhad (“Retiring Trustee”), OSK Trustees Berhad (“New Trustee”) and Nirvana Memorial Park (Tiram) Sdn. Bhd. dated 3 December 2012, we noted that the New Trustee is currently the Trustee for the subject land.

7. We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company's Malaysia legal advisers, which contains, inter alia, the following:
- a. For Reserved / State Lands, such lands can only be used for the purpose that they are specifically reserved for. As the Trustees / NAL Malaysian Subsidiaries / Joint Venture Partners are not the registered proprietor/owner of the Reserved / State Lands, the Trustees / NAL Malaysian Subsidiaries / Joint Venture Partners are not entitled to effect any transfer of the Reserved / State Lands as only the relevant state authorities have the power to deal with such lands.
8. As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property :

- a) General description of location of the property : The property, also known as Nirvana Memorial Park, Tiram is located at Lot No. 338, 20<sup>th</sup> mile off Jalan Sungai Tiram, Ulu Tiram, Johor Darul Takzim.
- The property is located off Jalan Sungai Tiram within Ulu Tiram, Johor Darul Takzim. It is about 12 kilometers from the town center of Ulu Tiram.
- The property is directly accessible from the main road; i.e. Jalan Sungai Tiram.
- The site of property is rectangular in shape.
- b) Details of encumbrances, liens, pledges, mortgages against the property : Nil
- c) Express Conditions : From the Gazette, we noted that the Property is meant for "a place for the interment of the dead of the Chinese community".
- d) Environmental Issue : Not applicable.
- e) Details of investigations, notices, pending litigation, breaches of law or title defects : Nil
- f) Future plans for construction, renovation, improvement or development of the property and estimated associated costs : Nil

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016 USD
9.	Nirvana Memorial Park, Shah Alam located at Taman Perkuburan, Section 21, Jalan Pusaka 21/1, Off Jalan Jubli Perak, 40300 Shah Alam, Selangor Darul Ehsan, Malaysia	<p>The property comprises a parcel of land which has been designated for “Chinese Cemetery Reserves” with a total site area of approximately 105,906.23 sq.m. with several buildings and ancillary structures erected thereon which were completed in 2010.</p> <p>The buildings have a total gross floor area of approximately 12,893.36 sq.m.</p> <p>The buildings mainly include an office, columbarium, funeral hall and crematorium.</p> <p>The structures include boundary walls, roads and landscape.</p> <p>The buildings with a total gross floor area of approximately 11,520.53 sq.m. have been issued with Certificate of Fitness for Occupation by Majlis Bandaraya Shah Alam on 23 March 2010, 4 November 2010, 28 July 2015 and 21 September 2015.</p> <p>The rights to use the property have been given to Nirvana Memorial Park (Shah Alam) Sdn. Bhd. by Majlis Bandaraya Shah Alam via an agreement for a period of 30 years for burial ground use with an unexpired term of about 24 years.</p>	<p>Apart from portions of the property are occupied by Nirvana Memorial Park, (Shah Alam) Sdn. Bhd. for office and ancillary purposes, the remaining property is occupied for cemetery purpose.</p>	<p>4,960,000</p> <p>100% interest attributable to the Group: USD4,960,000</p>

*Notes:*

1. Nirvana Memorial Park (Shah Alam) Sdn. Bhd. is a wholly-owned subsidiary of the Company.
2. Pursuant to an agreement dated 17 October 2003 made between Majlis Bandaraya Shah Alam (the “MBSA”) and SK Global Sdn. Bhd. (now known as Nirvana Memorial Park (Shah Alam) Sdn. Bhd.) (“the Developer”) (“Principal Agreement”), the Developer has been appointed by MBSA to develop that portion of land situated in Seksyen 21, Bandar of Shah Alam, District of Petaling and State of Selangor measuring approximately 26.17 acres (105,906.23 sq.m.) (“Property”) to a non-muslim cemetery.
3. Pursuant to an agreement dated 24 September 2008 made between MBSA and Nirvana Memorial Park (Shah Alam) Sdn. Bhd. (“the Operator”). The operator has in accordance with the building plans constructed the crematorium and affixed there in two units of incinerators ready to be commissioned and handed over to MBSA and further has made provision for a further two more units when the demand arises. We also further noted that MBSA has awarded the Operator the right to operate the crematorium for the period of thirty (30) years commencing from the date on which a certificate of fitness for occupation is issued i.e. 23 March 2010 and 3 November 2010. As such the unexpired term of the interest is approximately 24 years.
4. The Operator shall yearly commencing from the date on which the crematorium becomes commissioned and operational to pay MBSA the sum of RM1,200.00 per annum rental in advance. The said rental may be increased every five years and each increment of rental shall not be less than 10% or more than 15% of the rental levied over the last five years.
5. Pursuant to a supplemental agreement dated 3 March 2011 made between MBSA and the Developer, MBSA and the Developer desire to amend some of the clauses contained in the Principal Agreement to reflect the development of the further negotiations and consent reached.
6. Pursuant to a Deed of Retirement and Appointment of Trustee made between HSBC (Malaysia) Trustee Berhad (“Retiring Trustee”), OSK Trustees Berhad (now known as RHB Trustees Berhad) (“New Trustee”) and Nirvana Memorial Park (Shah Alam) Sdn. Bhd. dated 3 December 2012, we noted that the New Trustee (now known as RHB Trustees Berhad) is currently the Trustee for the Property.



7. In the valuation of this property, we have attributed no commercial value to the buildings with a total gross floor area of approximately 1,372.83 sq.m. which have not obtained certificates of fitness for occupation (now known as certificates of completion and compliance) ("CFs/CCCs"). However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures of the property (excluding the land) as at the valuation date would be USD466,000 assuming all relevant proper title certificates had been obtained and the buildings could be freely transferred.
8. As advised by the Company, net book value of the buildings as of 30 June 2016 is RM 44,246,863. All development costs (including building costs which certificate of fitness has not been obtained) incurred on the land are stated at the lower of cost and net realizable value.
9. We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company's Malaysia legal advisers, which contains, inter alia, the following:
  - a. For Reserved / State Lands, such lands can only be used for the purpose that they are specifically reserved for. As the Trustees / NAL Malaysian Subsidiaries / Joint Venture Partners are not the registered proprietor/owner of the Reserved / State Lands, the Trustees / NAL Malaysian Subsidiaries / Joint Venture Partners are not entitled to effect any transfer of the Reserved / State Lands as only the relevant state authorities have the power to deal with such lands.
10. As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property :

- |   |   |   |
|---|---|---|
| a) General description of location of the property  | : | The property, also known as Nirvana Memorial Park, Shah Alam, is located at Taman Perkuburan, Section 21, Jalan Pusaka 21/1, Off Jalan Jubli Perak, 40300 Shah Alam, Selangor Darul Ehsan, It is about 48 kilometers from Kuala Lumpur city center. The site of property is irregular in shape. |
| b) Details of encumbrances, liens, pledges, mortgages against the property  | : | Nil   |
| c) Environmental Issue  | : | Not applicable.   |
| d) Details of investigations, notices, pending litigation, breaches of law or title defects                             | : | Nil   |
| e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs | : | Nil   |

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016 USD
10.	Remaining portion of Lot Nos. 9942 and 9987 located at Jeram, Kuala Selangor, Selangor Darul Ehsan, Malaysia	The property comprises 2 parcels of land with a total site area of approximately 966,996.34 sq.m.  The lands are held under leasehold interests of 99 years. Lot No. 9942 will be expiring on 7 June 2099 and Lot No. 9987 will be expiring on 31 July 2101.	The property is currently vacant and will be used for future development purpose.	24,754,000  100% interest attributable to the Group: USD24,754,000

1. Nirvana Memorial Park (Klang) Sdn Bhd. (formerly known as Future Spectrum Sdn. Bhd.) is a wholly-owned subsidiary of the Company.
2. Everest Fairway Sdn. Bhd. is indirectly wholly owned by the Company.
3. Pursuant to the 2 copies of title documents provided to us by the Group, we noted that Everest Fairway Sdn. Bhd. is the registered proprietor for Lot No. 9942, Jeram, Kuala Selangor, Selangor Darul Ehsan, whilst Future Spectrum Sdn. Bhd. (now known as Nirvana Memorial Park (Klang) Sdn. Bhd. is the registered proprietor for Lot No. 9987, Jeram, Kuala Selangor, Selangor Darul Ehsan.
4. We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company's Malaysia legal advisers, which contains, inter alia, the following:
  - a. Under the laws, rules and regulations governing land ownership in Malaysia, the registered proprietor/owner is generally not subject to transfer restrictions.
  - b. Save for the lands held by the trustees, joint venture partners and the reserved lands in Ulu Tiram (Johor), Kwangsi Parlour & Columbarium (Kuala Lumpur) and Lock San Thin Parlour (Johor Bahru), and the state land in Shah Alam (Selangor), and subject to the approval of the relevant state authorities (where applicable), the companies are entitled to transfer, lease, mortgage or otherwise dispose of the lands and buildings of the property erected on such lands.
  - c. In Malaysia, pursuant to the terms of the Trust Deeds (as defined below) and sale prospectuses governing the interest schemes approved by the Companies Commission of Malaysia under Part IV Division 5 of the Companies Act, 1965, the lands which are subject to the interest scheme held by the Group's Malaysian subsidiaries are required to be registered under a trustee's name to hold such land on trust for the respective management companies.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
11.	Nirvana Memorial Centre located at Wisma Nirvana No. 1, Jalan 1/116A, Off Jalan Sungai Besi, 57100 Kuala Lumpur, Malaysia	<p>The property comprises a site area of approximately 3,536 sq.m. and a five and a half storey office building include basement car park which was completed in 2004.</p> <p>The building constructed of reinforced concrete floors, reinforced concrete framework infilled with plastered brickwalls and reinforced concrete flat roof with a gross floor area of approximately 11,831 sq.m.</p> <p>The building mainly include lobby area, waiting area, cafeteria, kiosk, stores, office areas, show room, assembly halls, male and female toilets.</p> <p>As indicated in the title document, the Property is designated for “industrial” use.</p> <p>The building is fully completed and has been issued with the Certificate of Fitness for Occupation by Dewan Bandaraya Kuala Lumpur (DBKL) pursuant to reference no. DBKL-JPKB-06-PM-011 (No. 25879) dated 2 June 2004.</p> <p>The property is held under leasehold interest of 66 years expiring on 26 August 2046.</p>	The property is currently occupied by Pinang Sepadan Sdn. Bhd. for office purpose.	9,350,000  100% interest attributable to the Group: USD9,350,000

*Notes:*

1. Pinang Sepadan Sdn. Bhd. is a wholly-owned subsidiary of the Company.
2. Pursuant to a copy of title document provided to us by the Group, Pinang Sepadan Sdn. Bhd. is the registered proprietor of the Property.
3. We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company’s Malaysia legal advisers, which contains, inter alia, the following:
  - a. Subject to the approval of the relevant state authorities (where applicable), the companies are entitled to transfer, lease, mortgage or otherwise dispose of the lands and buildings of the property erected on such lands.

## 4. Brief description of the Property is as follows:-

- |    |  |   |  |
|----|--|---|--|
| a) | General description of location of the property  | : | The property, also known as Nirvana Memorial Center, is located at Wisma Nirvana, No. 1, Jalan 1/116A, off Jalan Sungai Besi, 57100 Kuala Lumpur. It is about 9 kilometers from the city center of Kuala Lumpur. The property is directly accessible from the main road; i.e. Jalan Sungai Besi. The site of property is in rectangular shape. |
| b) | Details of encumbrances, liens, pledges, mortgages against the property  | : | Nil.   |
| c) | Express Conditions   | : | 1. "The land has been use for industrial only"<br><br>2. "Development on this land shall comply with the Development issued by the Mayor of Kuala Lumpur"  |
| d) | Environmental Issue  | : | Not applicable.  |
| e) | Details of investigations, notices, pending litigation, breaches of law or title defects                             | : | Nil.   |
| f) | Future plans for construction, renovation, improvement or development of the property and estimated associated costs | : | Nil.   |

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
12.	Nirvana Memorial Center, Johor Bahru located at Lot No. 2966, KM3, Jalan Gelang Patah, 81300 Skudai, Mukim of Pulai, Johor Darul Takzim, Malaysia	<p>The property comprises part of a parcel of land which has been designated for “Chinese Cemetery Reserves” with several buildings and various ancillary structures erected thereon which were completed in various stages between 2004 and 2006. The property is meant for “funeral parlour” use.</p> <p>The buildings have a total gross floor area of approximately 3,150.90 sq.m.</p> <p>The buildings mainly include an office, funeral parlour, ceremonial and storage.</p> <p>The structures include boundary walls, roads and landscape.</p> <p>The buildings have been issued with Certificate of Fitness for Occupation by Majlis Perbandaran Johor Bahru Tengah on 9 August 2005.</p>	<p>The property is currently occupied by Nirvana Care Sdn. Bhd. (formerly known as NV Care Sdn. Bhd.) for office, funeral parlour service and ceremonial hall purposes.</p>	<p>720,000</p> <p>100% interest attributable to the Group: USD720,000</p>

*Notes:*

- Lock San Thin Chinese Cemetery Committee is the beneficial owner or otherwise has proprietary right over the land.
- Pursuant to a photocopy of an agreement made between Kang Kwee Joo, Lee Khee Suang and Cheong Yuen Mun on behalf of Lock San Thin Chinese Cemetery Committee (“the Association”) and NV Care Sdn. Bhd. (now known as Nirvana Care Sdn. Bhd.) (“the Manager”) dated 6 January 2003 provided by the Group, both parties have agreed that the Property shall be given to NV Care Sdn. Bhd. for the purpose of constructing a modern funeral parlour and thereafter managing the funeral parlour and crematorium operations for a term of 30 years which shall take effect 60 days from the date of the development approval. For the purposes of this valuation, we have adopted the date of the building plan to be the date of the development approval; i.e. 30 July 2003.  
  
The gross proceeds of sale received by “the Manager” for each business activity conducted in the funeral parlour; i.e. burn services, memorial hall services etc. shall be shared by both parties.  
  
The net proceeds of sale received by “the Manager” for the sale of each niche developed in the modern funeral complex shall be shared by both parties.
- As advised by the Company, Lock San Thin Chinese Cemetery Committee is an independent third party which is the joint venture partner of the Group, whereas NV Care Sdn. Bhd. (now known as Nirvana Care Sdn. Bhd.) is a wholly-owned subsidiary of the Company.
- We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company’s Malaysia legal advisers, which contains, inter alia, the following:
  - For Reserved / State Lands, such lands can only be used for the purpose that they are specifically reserved for. As the Trustees / NAL Malaysian Subsidiaries / Joint Venture Partners are not the registered proprietor/owner of the Reserved / State Lands, the Trustees / NAL Malaysian Subsidiaries / Joint Venture Partners are not entitled to effect any transfer of the Reserved / State Lands as only the relevant state authorities have the power to deal with such lands.

## 5. Brief description of the Property is as follows:-

- |   |   |  |
|---|---|--|
| a) General description of location of the property  | : | The property, also known as Nirvana Memorial Center, Johor Bahru is located at Lot No. 2966, KM3, Jalan Gelang Patah, 81300 Skudai, Mukim of Pulai, Johor Darul Takzim, It is about 20 kilometers from the city center of Johor Bahru. The site of property is in irregular shape. |
| b) Details of encumbrances, liens, pledges, mortgages against the property  | : | Nil  |
| c) Express Conditions   | : | From the Agreement, we noted that the Property is meant for “funeral parlour” use.   |
| d) Restriction-In-Interest  | : | Nil.   |
| e) Environmental Issue  | : | Not applicable.  |
| f) Details of investigations, notices, pending litigation, breaches of law or title defects                             | : | Nil.   |
| g) Future plans for construction, renovation, improvement or development of the property and estimated associated costs | : | Nil.   |

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016 USD
13.	Nirvana Center KL (Kwangsi Parlour & Crematorium) located at Lot 568, Jalan Dewan Bahasa, Kuala Lumpur, Malaysia	<p>The property comprises a parcel of land which has been gazetted as “Chinese Cemetery Reserves” with a site area of approximately 8,093.71 sq.m. and a building under construction erected thereon.</p> <p>As advised by the Group, the building under construction will have a total GFA of approximately 32,106 sq.m. after completion. It is being developed into a Columbarium and funeral parlours and scheduled to be completed by 2017. The total development costs are estimated to be approximately RM40,542,144.40, of which RM9,880,985 had been paid up to the valuation date.</p> <p>Based on the Joint Venture Agreement, the property is part of Lot 568.</p> <p>The rights to use the property have been given to Combo Acres Sdn. Bhd. (now known as Nirvana KL Berhad) for a period of 30 years commencing from the approval date of the approval for the erection of funeral parlours and columbarium complexes from the appropriate government authorities. The proposed building plan was approved on 18 July 2014.</p>	Apart from portions of the property are occupied for cemetery purpose, the remaining property is vacant.	No commercial value

## Notes:

1. Pursuant to a Joint Venture Agreement made between Persatuan Kwangsi Selangor Dan Kuala Lumpur (“the Trustee”) and Combo Acres Sdn. Bhd. (now known as Nirvana KL Berhad) dated 1 July 2013, we noted the following:-
  - i) The Trustee had been alienated a parcel of land held under Lot 568, Section 69, Town of Kuala Lumpur, Wilayah Persekutuan by the Registry of Land Office at Kuala Lumpur for use as a burial ground/cemetery known as “the Kwang Si Cemetery”.
  - ii) Pursuant to Gazette No. 682, the land has been gazette to be reserved for the purpose of Kwang Si cemetery to be managed by the Kwang Si Community of Kuala Lumpur.
  - iii) Nirvana Center KL has been appointed as the developer and the marketing agent to plan, design and build a funeral and columbarium complexes well as other facilities thereto on part of the land measuring approximately 2 acres (8,093.71 sq.m.).
  - iv) Nirvana Center KL is entitled to sell, collect in its name and be entitled to all the proceeds of sale of the license(s) for use and enjoyment of the niches (including bereavement products erected, constructed and/or developed on the site without the need to account to the Trustee for a period of thirty (30) years commencing from the date of the approval for the erection of funeral parlours and columbarium complexes from the appropriate authorities.
  - v) In return, Nirvana Center KL shall pay the Trustee a fixed sum of RM700,000 per year.



- vi) The Trustee and Nirvana Center KL have agreed that in the event the said land is subjected to acquisition, the Joint Venture Agreement shall be terminated and both parties shall have no claims whatsoever against each other save and except all compensation payable in respect of such acquisition of the said land shall be paid to the Trustee and all the compensation payable in respect of the building erected on the land shall be paid to Nirvana Center KL.
2. As advised by the Company, Persatuan Kwangsi Selangor Dan Kuala Lumpur is an independent third party which is the joint venture partner of the Group, whereas Combo Acres Sdn. Bhd. (now known as Nirvana KL Berhad) is a wholly-owned subsidiary of the Company.
3. In the valuation of this property, we have attributed no commercial value to the building in construction. However, for reference purpose, we are of the opinion that the cost of building in construction as at the valuation date would be USD2,450,000 assuming all relevant title certificates can be obtained and the building could be freely transferred after completion.
4. As advised by the Group, net book value of the property as of 30 June 2016 is RM15,099,789.68. The development on site mainly include a Columbarium and funeral parlours in construction and other landscapes.
5. We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company's Malaysia legal advisers, which contains, inter alia, the following:
  - a. For Reserved / State Lands, such lands can only be used for the purpose that they are specifically reserved for. As the Trustees / NAL Malaysian Subsidiaries / Joint Venture Partners are not the registered proprietor/owner of the Reserved / State Lands, the Trustees / NAL Malaysian Subsidiaries / Joint Venture Partners are not entitled to effect any transfer of the Reserved / State Lands as only the relevant state authorities have the power to deal with such lands.
6. Brief description of the Property is as follows:-
 

a) General description of location of the property	:	The property, known as Nirvana Center KL, is part of known as Kwang Si Cemetery, located at Lot No. 568, Jalan Dewan Bahasa, Kuala Lumpur. It is about 3 kilometers from the city center of Kuala Lumpur. The property is directly accessible from the main road; i.e. Jalan Dewan Bahasa. The site of property is irregular in shape.
b) Details of encumbrances, liens, pledges, mortgages against the property	:	Nil
c) Express Conditions	:	From the Gazette, we noted that the Property is meant for "a place for the interment of the dead of the Chinese community".
d) Environmental Issue	:	Not applicable.
e) Details of investigations, notices, pending litigation, breaches of law or title defects	:	Nil
f) Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	Nil

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
14.	Kek Lok Si West Lake Garden Columbarium, Penang located at Lot 193, GM69 and Lot 1679, Geran 106014, 11500 Jalan Air Itam, Pulau Pinang, Malaysia	<p>The properties comprise 2 adjoining parcels of Building land with a total site area of approximately 33,037.19 sq.m.</p> <p>The buildings include a single storey crematorium and two blocks of 5-storey columbarium with a total GFA of approximately 3,494.98 sq.m.</p> <p>According to the title GM69 Lot 193, the property is designated for residential and commercial building use. For title GRN 106014 Lot 1679, the property is not designated for any kind of land use. An application has been submitted to the local authorities for the development of a private cemetery on part of the properties and the application is pending for approval.</p> <p>The property is held under freehold interests.</p>	<p>Apart from portions of the property are occupied by Kek Lok Si West Lake Garden Columbarium, for crematorium and cemetery purposes, the remaining property is vacant and overgrown with thick bushes and natural vegetation.</p>	No commercial value

*Notes:*

- Pursuant to copies of title documents searches of the Registered Document of Title at the Registry of Land Titles in Penang, we noted that Th'ng Boon Chye (as trustees) is the registered proprietor of the properties.
- As advised by the Company, Th'ng Boon Chye is an independent third party which is the joint venture partner of the Group.
- In the valuation of this property, we have attributed no commercial value to the property due to the title of land not belongs to the Group. As advised by the Group, no value has been recognized in respect of the property in the Group's financial statements.
- We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company's Malaysia legal advisers, which contains, inter alia, the following:
  - Save for the lands held by the trustees, joint venture partners and the reserved lands in Ulu Tiram (Johor), Kwangsi Parlour & Columbarium (Kuala Lumpur) and Lock San Thin Parlour (Johor Bahru), and the state land in Shah Alam (Selangor), and subject to the approval of the relevant state authorities (where applicable), the companies are entitled to transfer, lease, mortgage or otherwise dispose of the lands and buildings of the property erected on such lands.
- Brief description of the Property is as follows:-
  - General description of location of the property : The property, also known as Kek Lok Si West Lake Garden Columbarium, is located along the western side of Jalan Air Itam, Air Itam, Pulau Pinang, about 6 kilometers to the west of the heart of the commercial district of Georgetown and about 9 kilometers to the north of the Penang International Airport respectively. The property is directly accessible from the main road. The site of property is irregular in shape.
  - Details of encumbrances, liens, pledges, mortgages against the property : Nil.
  - Environmental Issue : Not applicable.
  - Details of investigations, notices, pending litigation, breaches of law or title defects : Nil
  - Future plans for construction, renovation, improvement or development of the property and estimated associated costs : An application has been made to the local authorities; i.e. Majlis Perbandaran Pulau Pinang for part of the Properties to be developed as a private cemetery whilst the balance land remains for agricultural use.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
15	Lot No. PT 4678 located at Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	The property comprises a parcel of land with a total site area of approximately 2,787.32 sq.m.  The land is held under leasehold interests of 60 years expiring on 15 March 2076.	The property is currently vacant and will be used for future development purpose.	No commercial value

*Notes:*

1. Pursuant to a photocopy of title document provided to us by the Group, we noted that Pertubuhan Perayaan Yee Lan is the registered proprietor of H.S.(D) 62344 Lot No. PT 4678, Mukim 1, Daerah Seberang Perai Tengah, Negeri Pulau Pinang, Malaysia.
2. As advised by the Company, Pertubuhan Perayaan Yee Lan is an independent third party which is the joint venture partner of the Group.
3. In the valuation of this property, we have attributed no commercial value to the property due to the title of land not belongs to the Group. As advised by the Group, no value has been recognized in respect of the property in the Group's financial statements.
4. We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company's Malaysia legal advisers, which contains, inter alia, the following:
  - a. Save for the lands held by the trustees, joint venture partners and the reserved lands in Ulu Tiram (Johor), Kwangsi Parlour & Columbarium (Kuala Lumpur) and Lock San Thin Parlour (Johor Bahru), and the state land in Shah Alam (Selangor), and subject to the approval of the relevant state authorities (where applicable), the companies are entitled to transfer, lease, mortgage or otherwise dispose of the lands and buildings of the property erected on such lands.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
16	Lot No. 10292 located at Seksyen 29, Bandar Klang, Daerah Klang, Negeri Selangor, Malaysia	The property comprises a parcel of land with a total site area of approximately 8,423 sq.m.  The property is held under freehold interest.	The property is currently vacant and will be used for future development purpose.	No commercial value

*Notes:*

- Pursuant to a photocopy of title document provided to us by the Group, we noted that Persatuan Kwong Tung, Klang is the registered proprietor of Geran 21070, Lot 10292 Seksyen 29, Bandar Klang, Daerah Klang, Negeri Selangor, Malaysia.
- As advised by the Company, Persatuan Kwong Tung, Klang is an independent third party which is the joint venture partner of the Group.
- In the valuation of this property, we have attributed no commercial value to the property due to the title of land not belongs to the Group. As advised by the Group, no value has been recognized in respect of the property in the Group's financial statements.
- We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company's Malaysia legal advisers, which contains, inter alia, the following:
  - Save for the lands held by the trustees, joint venture partners and the reserved lands in Ulu Tiram (Johor), Kwangsi Parlour & Columbarium (Kuala Lumpur) and Lock San Thin Parlour (Johor Bahru), and the state land in Shah Alam (Selangor), and subject to the approval of the relevant state authorities (where applicable), the companies are entitled to transfer, lease, mortgage or otherwise dispose of the lands and buildings of the property erected on such lands.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
17	Located at Unit No. A-3-2 Kuchai Exchange, No. 43, Jalan Kuchai Maju 13, 58200 Kuala Lumpur, Malaysia	<p>The property comprises an office unit on the third floor in a five storey building completed in 2011.</p> <p>The office unit has a total gross floor area of approximately 161 sq.m.</p> <p>The property is held under freehold interest.</p>	<p>The property is currently tenanted to Dato Paduka Dr. Alex Ong Yeok Leng at a monthly rental of RM3,000.00 expiring on 31 May 2017</p>	<p>185,000</p> <p>100% interest attributable to the Group: 185,000</p>

## Notes:

- Pursuant to a photocopy of the Sale and Purchase Agreement dated 8 August 2011 made between Low Keng Yik and HSBC (Malaysia) Trustee Berhad, we noted that HSBC (Malaysia) Trustee Berhad is the registered proprietor of Unit No. A-3-2, Kuchai Exchange, No. 43, Jalan Kuchai Maju 13, 58200 Kuala Lumpur, Malaysia.
- As advised by the Company, Low Keng Yik is an independent third party and has no relationship with the Group.
- Pursuant to a Deed of Retirement and Appointment of Trustee made between HSBC (Malaysia) Trustee Berhad ("Retiring Trustee") and OSK Trustees Berhad (now known as RHB Trustees Berhad) ("New Trustee") dated 3 December 2012, we noted that OSK Trustees Berhad (now known as RHB Trustees Berhad) is currently the registered proprietor of Unit No. A-3-2, Kuchai Exchange, No. 43, Jalan Kuchai Maju 13, 58200 Kuala Lumpur, Malaysia.
- Brief description of the Property is as follows:-
  - General description of location of the property : The property is located on the third floor of Block A of a commercial building within Kuchai Exchange, No. 43, Jalan Kuchai Maju 13, 58200 Kuala Lumpur. It is located about 9 kilometers from Kuala Lumpur city centre.
  - Details of encumbrances, liens, pledges, mortgages against the property : Individual strata title has not been issued for the property.
  - Environmental Issue : Not applicable.
  - Details of investigations, notices, pending litigation, breaches of law or title defects : Nil
  - Future plans for construction, renovation, improvement or development of the property and estimated associated costs : Nil

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
18	Located at Unit No. D-13A-1, 14 <sup>th</sup> Floor, Block D, East Lake Residence, Taman Serdang Perdana, Section 3, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia	<p>The property comprises a residential unit on the 14<sup>th</sup> floor in a 18 storey building completed in 2007.</p> <p>The residential unit has a total gross floor area of approximately 122 sq.m.</p> <p>The property is held under leasehold interest for 99 years expiring on 15 May 2100.</p>	The Property is currently owner occupied and currently being used as staff quarters	<p>140,000</p> <p>100% interest attributable to the Group: 140,000</p>

*Notes:*

- Pursuant to a photocopy of the Principal Sale and Purchase Agreement dated 26 May 2008 made between HK Land Sdn. Bhd. which is 50% indirectly owned by Tan Sri Kong Hon Kong, the managing director of the Group, and HSBC (Malaysia) Trustee Berhad, we noted that HSBC (Malaysia) Trustee Berhad is the registered proprietor of Unit No. D-13A-1, 14<sup>th</sup> Floor, Block D, East Lake Residence, Taman Serdang Perdana, Section 3, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia.
- Pursuant to a Deed of Retirement and Appointment of Trustee made between HSBC (Malaysia) Trustee Berhad ("Retiring Trustee") and OSK Trustees Berhad (now known as RHB Trustees Berhad) ("New Trustee") dated 3 December 2012, we noted that OSK Trustees Berhad (now known as RHB Trustees Berhad) is currently the registered proprietor of Unit No. D-13A-1, 14<sup>th</sup> Floor, Block D, East Lake Residence, Taman Serdang Perdana, Section 3, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia.
- Brief description of the Property is as follows:-
  - General description of location of the property : The property is located on the 14<sup>th</sup> floor of Block D of a residential building within East Lake Residence, Taman Serdang Perdana, Section 3, 43300 Seri Kembangan, Selangor Darul Ehsan. It is located about 21 kilometers from Kuala Lumpur city centre.
  - Details of encumbrances, liens, pledges, mortgages against the property : Individual strata title has not been issued for the property.
  - Environmental Issue : Not applicable.
  - Details of investigations, notices, pending litigation, breaches of law or title defects : Nil
  - Future plans for construction, renovation, improvement or development of the property and estimated associated costs : Nil

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
19	Located at No. 16, Taman Victory, 4th Mile, Jalan Penampang, Kota Kinabalu, Sabah, Malaysia	<p>The property comprises a parcel of land with a total site area of approximately 139.3 sq.m. with a four storey building erected thereon which was completed in 1983.</p> <p>The buildings have a total gross floor area of approximately 557.42 sq.m.</p> <p>The property is held under leasehold interest for 99 years expiring on 31 December 2080.</p>	<p>The Property is currently owner occupied and currently being used as office by the Group</p>	<p>460,000</p> <p>100% interest attributable to the Group: 460,000</p>

*Notes:*

1. Nirvana Care Sdn. Bhd. is a wholly owned subsidiary of the Company.
2. Pursuant to a copy of title documents provided to us by the Group, we noted that HSBC (Malaysia) Trustee Berhad is the registered proprietor of the Property in No. 16, Taman Victory, 4th Mile, Jalan Penampang, Kota Kinabalu, Sabah, Malaysia. HSBC (Malaysia) Trustee Berhad is currently the trustee of NV Care Sdn. Bhd. (now known as Nirvana Care Sdn. Bhd.).
3. Brief description of the Property is as follows:-
  - a) General description of location of the property : The property is located about 7.5 kilometers from Kota Kinabalu city centre.
  - b) Details of encumbrances, liens, pledges, mortgages against the property : The said land is demised herein expressly and only for the purpose of erecting thereon for use as such one shophouse.
  - c) Environmental Issue : Not applicable.
  - d) Details of investigations, notices, pending litigation, breaches of law or title defects : Nil
  - e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs : Nil



## VALUATION CERTIFICATE

## Group II—Property interests held by the Group in Indonesia

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016 USD
20.	Lestari Memorial Park, located at Jalan Kuta Tandingan, Desa Margakaya, Kecamatan Telukjambe , Kabupaten Karawang, Jakarta Indonesia	<p>The property comprises 1 parcel of land with a total site area of approximately 321,201 sq.m. with several buildings and various ancillary structures erected thereon which were completed in 2003.</p> <p>The buildings have a total gross floor area of approximately 2,337 sq.m.</p> <p>The buildings mainly include office, chapel, crematorium and columbarium.</p> <p>The structures mainly include boundary walls, roads and landscape.</p> <p>The buildings are fully completed and have been listed in the appendix picture of Location Permits of Cemetery Land No. 591.4/KEP.043-HUK/2003 dated on 22 January 2003 issued by Bupati Karawang.</p>	<p>Apart from portions of the property are currently occupied by Lestari Memorial park for office and ancillary purposes, the remaining property is occupied for cemetery purpose.</p>	<p>8,390,000</p> <p>51% interest attributable to the Group: USD4,280,000</p>

## Notes:

- PT Alam Hijau Lestari is a 51% owned subsidiary of the Company.
- Pursuant to a copy of title document Hak Pakai (HP) No. 0003 issued by Kepala Kantor Pertanahan Kabupaten Karawang, dated November 2, 2010 and will be expired on 8 August 2035, PT Alam Hijau Lestari is the registered proprietor of the Property located at Jalan Kuta Tandingan, District Teluk Jambe Barat, Sub District Margakaya, Kabupaten Karawang, Jawa Barat. The situation drawing (Surat Ukur) of this land is No. 00041/MARGAKAYA/2010, dated 28 October 2010.
- We have been provided with a legal opinion dated 9 August 2016 regarding the property interest by the Company's Indonesia legal advisers, which contains, inter alia, the following:
  - The Company has legal and title valid to transfer, lease, mortgage or otherwise dispose of the Property.
  - The Property is not subject to any third party encumbrance.
- As the property is the major asset held by the Group, we are of the view that the property is a material property.

## Details of the material property :

- |    |  |   |   |
|----|--|---|---|
| a) | General description of location of the property  | : | The property, also known as Lestari Memorial Park, is located at Jalan Kuta Tandingan, District Teluk Jambe Barat, Sub District Margakaya, Kabupaten Karawang, Jawa Barat. It is about 6 kilometers from the south of Jalan Tol Jakarta-Cikampek (Karawang Barat Tol Gate). The site of property is in regular shape. |
| b) | Details of encumbrances, liens, pledges, mortgages against the property  | : | Nil   |
| c) | Environmental Issue  | : | Nil   |
| d) | Details of investigations, notices, pending litigation, breaches of law or title defects                             | : | Nil   |
| e) | Future plans for construction, renovation, improvement or development of the property and estimated associated costs | : | Nil   |

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
21.	Nirvana Memorial Park, Medan, located at Village of Bingkawan, District of Sibolangit, Regency of Deli Serdang, Province of North Sumatera, Indonesia	The property comprises 63 parcels of land with a total site area of approximately 746,577 sq.m.	The property is currently vacant and will be used for future development purpose.	17,920,000  70% interest attributable to the Group: USD12,544,000

*Notes:*

1. PT Nirvana Memorial Nusantara is 70% indirectly owned by the Company.
2. Pursuant to 63 copies of title documents provided to us by the Group, we noted that PT Nirvana Memorial Nusantara is the registered proprietor of the Property located at Village of Bingkawan, District of Sibolangit, Regency of Deli Serdang, Province of North Sumatera, Indonesia.
3. We have been provided with a legal opinion dated 9 August 2016 regarding the property interest by the Company's Indonesia legal advisers, which contains, inter alia, the following:
  - a. The Company has legal and title valid to transfer, lease, mortgage or otherwise dispose of the Property.
  - b. The Property is not subject to any third party encumbrance.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
22	Located at No. 34-35, Block D, Komplek Ruko Niaga Roxy Mas, District Gambir, Sub District Cideng, Jakarta Pusat, Indonesia	<p>The property comprises 2 units of shophouse completed in 1991.</p> <p>The shophouse has a total gross floor area of approximately 450 sq.m.</p>	The Property is currently owner occupied and currently being used as staff quarters	<p>700,000</p> <p>51% interest attributable to the Group: 357,000</p>

*Notes:*

- PT Alam Hijau Lestari is a 51% owned subsidiary of the Company.
- Pursuant to a photocopy of the title document, we noted that PT Alam Hijau Lestari is the registered proprietor of the Property.
- Brief description of the Property is as follows:-
  - General description of location of the property : The Property is situated on the north west of complex road or about 350 meters on the south of Jalan Kyai Tapa.  
The terrain of the land is flat, its elevation is almost in the same level with the street in front.
  - Details of encumbrances, liens, pledges, mortgages against the property : Nil
  - Environmental Issue : No environmental study is carried out.
  - Details of investigations, notices, pending litigation, breaches of law or title defects : Nil
  - Future plans for construction, renovation, improvement or development of the property and estimated associated costs : Nil

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016 USD
23	Located at Unit No.1210-1211, 12th Floor, Hayam Wuruk Plaza Tower, Jalan Hayam Wuruk No. 108, District Taman Sari, Sub District Maphar, Jakarta Barat, Indonesia	<p>The property comprises 2 office units completed in 1985.</p> <p>The office units have a total gross floor area of approximately 222 sq.m.</p>	The Property is currently owner occupied and currently being used as marketing office by the Group	<p>308,000</p> <p>51% interest attributable to the Group: 157,000</p>

*Notes:*

1. PT Alam Hijau Lestari is a 51% owned subsidiary of the Company.
2. Pursuant to a photocopy of the title document, we noted that PT Alam Hijau Lestari is the registered proprietor of the Property.
3. Brief description of the Property is as follows:-
  - a) General description of location of the property : The Property is situated on the east of Jalan Hayam Wuruk, about 3 kilometers on the south of "Kota Beos" Train Station and about 3 kilometers from National Monument "Monas".
  - b) Details of encumbrances, liens, pledges, mortgages against the property : Nil
  - c) Environmental Issue : No environmental study is carried out.
  - d) Details of investigations, notices, pending litigation, breaches of law or title defects : Nil
  - e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs : Nil

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
24	Located at Unit No.3-5, 2 <sup>nd</sup> Floor, Tower Hijau D, Emerald Hill Apartment, Tower, Jalan Interchange Galuhmas, District Teluk Jambe Timur, Sub District Puser Jaya, Kabupaten Karawang, Jawa Barat, Indonesia	The property comprises 2 residential units completed in 2011.  The residential units have a total gross floor area of approximately 48 sq.m.	The Property is currently owner occupied and currently being used as staff quarters	18,000  51% interest attributable to the Group: 9,000

*Notes:*

1. PT Alam Hijau Lestari is a 51% owned subsidiary of the Company.
2. Pursuant to a photocopy of the title document, we noted that PT Alam Hijau Lestari is the registered proprietor of the Property.
3. Brief description of the Property is as follows:-
  - a) General description of location of the property : The Property is situated on the north west of Jalan Interchange Galuhmas or about 400 meters on the north east of Jalan Arteri Galuhmas or about 2 kilometers from Mal Karawang.
  - b) Details of encumbrances, liens, pledges, mortgages against the property : Nil
  - c) Environmental Issue : No environmental study is carried out.
  - d) Details of investigations, notices, pending litigation, breaches of law or title defects : Nil
  - e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs : Nil

## VALUATION CERTIFICATE

## Group III—Property interests to be acquired by the Group in Indonesia

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
25.	Located at Keluarahan Jambe, Kecamatan Tigaraksa Kabupaten Tangerang, Provinsi Banten, Jawa Barat, Indonesia	The property comprises 1 parcel of land with a total site area of approximately 499,989.11 sq.m.	The property is currently vacant and will be used for future development purpose.	No commercial value

*Notes:*

1. PT Alam Hijau Lestari is a 51% owned subsidiary of the Company.
2. Pursuant to a land sale and purchase agreement, PT Alam Hijau Lestari is in the process of acquiring the parcel of land with a total site area of approximately 499,989.11 sq.m..

## VALUATION CERTIFICATE

## Group IV—Property interests held by the Group in Singapore

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016 USD
26.	Nirvana Memorial Garden, Singapore located at 950 Old Choa Chu Kang Road, Singapore	<p>The property comprises a parcel of land with a total site area of approximately 10,000 sq.m. with several buildings, basement carpark and various ancillary structures erected thereon which were completed in various stages between 2002 and 2012.</p> <p>The buildings have a total gross floor area of approximately 11,150.08 sq.m.</p> <p>The buildings mainly include columbarium with ancillary office and basement carparks.</p> <p>The structures mainly include reinforced concrete frames with infill brick walls, aluminium claddings, reinforced concrete floor, reinforced concrete staircases, lifts and reinforced concrete flat roof/aluminium curved roof.</p> <p>The buildings are fully completed and have been issued with a Certificate of Statutory Completion dated 6 December 2012.</p> <p>The land zoned as Cemetery with a 99 years lease commencing from 14 August 1999.</p>	<p>Apart from portions of the property are occupied by Nirvana Memorial Garden Pte Ltd for office and ancillary purposes, the remaining property is occupied for cemetery purpose.</p>	<p>59,520,000</p> <p>100% interest attributable to the Group: USD59,520,000</p>

*Notes:*

1. Mount Prajna Ltd is a wholly-owned subsidiary of Nirvana Memorial Garden Pte Ltd, Nirvana Memorial Garden Pte Ltd is a wholly-owned subsidiary of the Company.
2. Pursuant to Republic of Singapore Certificate of Title Volume 567 Folio 170 —Reference number of certificate: RI/200021622, the land use lease of a parcel of land Lot 1225T Mukim 12 with a site area of 10,000square metre has been allocated to Mount Prajna Ltd to use only for Buddhist/Taoist columbarium with such supporting facilities approved by the Lessor.
3. Pursuant to Grant of written permission vide reference number ES20081006R0159 issued by the Urban Redevelopment Authority of Singapore dated November 28, 2012, the buildings with a total gross floor area of approximately 11,150.08 sq.m. are owned by Mount Prajna Ltd.
4. The Property was issued with a Certificate of Statutory Completion dated 6 December 2012 under The Building Control Act (Chapter 29) (section 12) to certify that the building works have been completed in accordance with the provisions of the Building Control Act and the Regulations that occupation is permitted.
5. There is a mortgage charged Instrument No:IB/995706G lodged on 26 May 2011 and registered on 30 May 2011 by Nirvana Memorial Garden Pte Ltd on the property.
6. The property is erected on land zoned as “Cemetery” according to Urban Redevelopment Authority (Singapore) Master Plan 2014.
7. Pursuant to a second supplemental lease to state lease no. 24174, a premium of SGD 8,605,271 shall be paid to the President of the Republic of Singapore and the building shall have a total gross floor area of not exceeding 43,500.72 sq.m. but not less than 9,000 sq.m..



8. Pursuant to a Letter of offer issued by the Singapore Land Authority dated 25 August 2015, a lease extension premium of SGD 47,000,000 shall be paid to extend the 30-year lease to a 99-year lease commencing on 14 August 1999 for a parcel of land Lot 1225T Mukim 12.

9. As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property :

- |   |   |   |
|---|---|---|
| a) General description of location of the property  | : | The Property, also known as Nirvana Memorial Garden, Singapore, is located along Old Choa Chu Kang Road and is bounded by Chinese Cemetery Path 2 and Chinese Cemetery Path 38. The site of the property is irregular in shape and the locality is generally cemetery. Vehicular access to other parts of the island is facilitated by the Pan-Island Expressway and Kranji Expressway. |
| b) Details of encumbrances, liens, pledges, mortgages against the property  | : | The property is subjected to a mortgage charged in favor of Nirvana Memorial Garden Pte Ltd for loan amounting to an aggregate of S\$46,950,000/- to Mount Prajna Ltd, and the mortgagor has executed a debenture dated 24 May 2011 ( please refer to Instrument No. IB/995706G registered on 30 May 2011 for details).   |
| c) Environmental Issue  | : | No environmental study is carried out.  |
| d) Details of investigations, notices, pending litigation, breaches of law or title defects                             | : | Nil   |
| e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs | : | As advised by the Group, part of the Property is currently undergoing addition and alteration works. However, estimated cost for the works have not been provided by the Group.   |

## VALUATION CERTIFICATE

## Group V—Property interests held by the Group in Thailand

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016 USD
27.	Nirvana Memorial Park, Banbueng located at Sai Ban Khaophai, Ban Noen Nueng, Ban Nongpaknam Road, Nong-Irun Subdistrict, Banbueng District, Chonburi Province, Thailand.	The property comprises 3 parcels of land with a total site area of approximately 389,260 sq.m. with various ancillary structures erected thereon.  The structures mainly include boundary walls, roads and landscape.	The property is currently vacant and will be used for future development purpose.	6,100,000  68.8% interest attributable to the Group: USD4,200,000

## Notes:

- Nirvana Memorial Park Co Ltd is 68.8% indirectly owned by the Company.
- Pursuant to 3 copies of title document Title deed no.16462, 40487, and 50899, Nirvana Memorial Park Co Ltd is the registered proprietor of Land Nos. 14, 33 and 71 located at Sai Ban Khaophai, Ban Noen Nueng, Ban Nongpaknam Road, Nong-Irun Subdistrict, Banbueng District, Chonburi Province.
- We have been provided with a legal opinion dated 8 August 2016 regarding the property interest by the Company's Thailand legal advisers, which contains, inter alia, the following:
  - The property is not subject to any third party encumbrance.
  - The Company has legal and valid title to, or legal, valid, binding and enforceable leasehold interests in the Property.
- As the property is the major asset held by the Group, we are of the view that the property is a material property.

## Details of the material property :

- |    |  |   |   |
|----|--|---|---|
| a) | General description of location of the property  | : | The property known as Nirvana Memorial Park, Banbueng is located at Sai Ban Khaophai, Ban Noen Nueng, Ban Nongpaknam Road, Nong-Irun Subdistrict, Banbueng District, Chonburi Province. The site of property is in irregular shape. |
| b) | Details of encumbrances, liens, pledges, mortgages against the property  | : | Nil   |
| c) | Environmental Issue  | : | No environmental study is carried out.  |
| d) | Details of investigations, notices, pending litigation, breaches of law or title defects                             | : | Nil   |
| e) | Future plans for construction, renovation, improvement or development of the property and estimated associated costs | : | As advised by the Group, the land will be developed for cemetery purpose in the future.   |

## VALUATION CERTIFICATE

## Group VI—Property interest to be acquired by the Group in Vietnam

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016
				USD
28.	Dong Nai Memorial Green Hill located at Quang Trung Commune, Thong Nhat District, Dong Nai Province, Vietnam	The property comprises 56 parcels of land with a total site area of approximately 369,883 sq.m.	The property is currently vacant and will be used for future development purpose.	No commercial value

*Notes:*

1. Nirvana Memorial Park Co., Limited (“Nirvana Memorial Park Vietnam”) is 70% indirectly owned by the Company.
2. Pursuant to a land sale and purchase agreement (i.e. contract of assignment of land use right), Nirvana Memorial Park Vietnam is in the process of acquiring the 56 parcels of land with a total site area of approximately 369,883 sq.m..
3. In the valuation of this property, we have attributed no commercial value to the property due to the title of land not belongs to the Group. However, for reference purpose, we are of the opinion that the value of the property as at the valuation date would be USD4,134,000 assuming all relevant proper title certificates had been obtained and the property could be freely transferred.
4. We have been provided with a legal opinion dated 9 August 2016 regarding the property interest by the Company’s Vietnam legal advisers, which contains, inter alia, the following:
  - a. Nirvana Memorial Park has obtained approval of People’s Committee of Dong Nai Province on using land for the Cemetery Project.
  - b. Nirvana Memorial Park shall negotiate and pay the compensation to 40 farmers / existing residents on the Project’s Land in accordance with the plan as approved by the competent authority under instruction of the People’s Committee of Thong Nhat District.
  - c. Nirvana Memorial Park shall submit application dossier to the People’s Committee of Dong Nai Province for obtainment of decision on land lease / land allocation for development of the Project.
  - d. Nirvana Memorial Park shall proceed with the obligations as stated in the letter issued by the People’s Committee of Dong Nai Province, then Nirvana Memorial Park shall sign the land lease / allocation agreement with the Dong Nai DONRE and be granted the Land Use Registration Certificate for the Project Land.
  - e. Upon completion of above mentioned procedures, the Project Land shall be under the lawful usage of Nirvana Memorial Park as per Vietnamese laws.
  - f. No provision therein is contrary to or in breach of the prevailing laws of Vietnam which may result to the invalid of the land sale and purchase agreement (agreement on compensation for local residents on land clearance).
5. As advised by the Company, 70% of the compensation to 39 farmers have been paid, the final instalment shall be made after the completion of procedure mentioned in note 4d above.

**1. FINANCIAL INFORMATION ON HOLDCO AND EQUITYCO**

Holdco and Equityco are exempted companies, each incorporated in the Cayman Islands with limited liability on 17 June 2016 respectively. Holdco and Equityco were established in this investment structure for the purposes of the proposed acquisition of the Company and the principal business of each of Holdco and Equityco is investment holding. Each of Holdco and Equityco are companies with nominal assets and liabilities and have not conducted any business to date.

As each of Holdco and Equityco has not conducted any business to date and as such has not received or expended money, sold or purchased goods and only has nominal assets and liabilities, books of accounts are not required to be kept as a matter of the laws of the Cayman Islands, and are, in fact, not kept by each of Holdco or Equityco. In view of the above, the Executive has waived the requirement under paragraph 12(a) of Schedule I of the Takeovers Code pursuant to which Holdco and Equityco shall disclose each of their respective financial information for the last three financial years for which the information has been published or since they were incorporated.

**2. RESPONSIBILITY STATEMENTS**

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Scheme, Holdco Group and the Company. The issue of this Scheme Document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Investment Funds, Offeror Group and Holdco Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document, other than those expressed by the Investment Funds, Offeror Group and Holdco Group, have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The issue of this Scheme Document has been approved by Holdco Board and the directors of CVC Capital Partners Asia IV Limited, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group and the Founder's Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions and statements expressed in this Scheme Document, other than those expressed by the Directors, the Group and the Founder's Group, have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

**3. SHARE CAPITAL OF THE COMPANY**

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was US\$40,000,000 divided into 4,000,000,000 Shares;
- (b) the issued share capital of the Company was US\$26,993,018 divided into 2,699,301,830 Shares;
- (c) other than 364,830 Shares which were issued pursuant to the exercise of Options, no other Shares were issued since 31 December 2015, being the end of the last financial year of the Company, up to the Latest Practicable Date;

- (d) all of the Shares rank pari passu in all respects as regards rights to capital, dividends and voting;
- (e) there were (i) 23,131,034 Employee Share Rights and 20,702,345 Employee Share Warrants under the ESR Scheme, convertible into 43,833,379 Shares at an exercise price of HK\$1.525; (ii) 709,270 Sales Agent Share Rights under the SASR Scheme, convertible into 709,270 Shares at an exercise price of HK\$1.525; and (iii) no Share Options under the Share Option Scheme. In the event that any of the Options are exercised on or before the Latest Option Exercise Date in accordance with the relevant provisions of the ESR Scheme or SASR Scheme, any Shares issued as a result of the exercise of such Options will be subject to and eligible to participate in the Scheme. If all of such Options are exercised, a total of 44,542,649 new Shares will be issued; and
- (f) other than the Shares and the Options as disclosed in paragraphs (b) and (e) above, there are no other options, derivatives, warrants or other securities convertible or exchangeable into the Shares as at the Latest Practicable Date.

#### 4. MARKET PRICES OF THE SHARES, BIDCO SHARES AND HOLDCO SHARES

The table below sets out the closing price of the Shares on the Stock Exchange on: (a) the last Business Day of each of the calendar months during the period commencing six months preceding the Announcement Date and ending on the Latest Practicable Date; (b) the Last Trading Day; and (c) the Latest Practicable Date:

	Closing price for each Share (HK\$)
29 January 2016 .....	2.1900
29 February 2016 .....	2.1400
31 March 2016 .....	2.1700
29 April 2016 .....	2.1900
31 May 2016 .....	2.1800
29 June 2016 (Last Trading Day) .....	2.4500
29 July 2016 .....	2.8400
31 August 2016 .....	2.8700
2 September 2016 (Latest Practicable Date) .....	2.8800

During the Relevant Period, the highest closing price and the lowest closing price of the Shares as quoted on the Stock Exchange were HK\$2.88 per Share on 29 August 2016, 30 August 2016 and 2 September 2016 and HK\$1.85 per Share on 17 February 2016, respectively.

Bidco Shares and Holdco Shares are not listed on any stock exchange. As such, no market price information is available relating to Bidco Shares and Holdco shares.

Upon incorporation of Bidco on 24 June 2016, two Bidco Shares were allotted to two nominees of Securities Services (Holdings) Sdn. Bhd., the corporate secretarial firm appointed by Bidco. Pursuant to share transfer forms dated 30 June 2016 as approved by the resolution in writing of the board of Bidco on the same date, the two nominees transferred their respective Bidco Shares to Parentco for a consideration of RM1.00 each. On 29 June 2016, Bidco issued 98 ordinary shares of nominal value RM1.00 each to Parentco.

Upon the incorporation of Holdco on 17 June 2016, one Holdco Ordinary Share was allotted to a nominee of Mourant Ozannes Corporate Services (Cayman) Limited, the registered office service provider of Holdco. Pursuant to a share transfer form dated 24 June 2016, as approved by the resolutions passed by the Holdco Board during the Holdco Board meeting on 23 June 2016, the nominee transferred its Holdco Ordinary Share to Equityco.

Apart from the above, no transactions with respect to Bidco Shares and Holdco Shares have taken place since the date of the incorporation of Bidco and Holdco.

## 5. IRREVOCABLE UNDERTAKINGS

Your attention is drawn to the section headed “6. Irrevocable Undertakings to Accept the Proposal” in the Explanatory Memorandum set out on pages 71 to 75 of this Scheme Document.

## 6. DISCLOSURE OF INTERESTS IN THE SHARES

### Directors’ interests and short positions in the Shares and shares in the Company’s associated corporations

As at the Latest Practicable Date, the following Directors had, or were deemed to have, interests and short positions in Shares, underlying Shares and debentures of the Company or shares, underlying shares and debentures of any of the Company’s associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange:

<u>Name of Director</u>	<u>Capacity/Nature of Interest</u>	<u>Number of Shares</u>	<u>Long/short position</u>	<u>Approximate percentage of shareholding in the Company as at the Latest Practicable Date</u>
Tan Sri KONG Hon Kong	Interest in controlled corporation <sup>(1)</sup>	1,152,347,563	Long	42.69%
Mr. LI Gabriel	Interest of spouse <sup>(2)</sup>	584,071,435	Long	21.64%
Mr. SOO Wei Chian	Beneficial owner <sup>(3)</sup>	20,703,345	Long	0.77%

Notes:

(1) These Shares are held by Rightitan, which is held as to approximately 99.90% by Tan Sri Kong, Managing Director and Chief Executive Officer of the Company. Accordingly, Tan Sri Kong is deemed to be interested in the 1,152,347,563 Shares held by Rightitan.

(2) These 584,071,435 Shares are held by Orchid, which is ultimately owned by Ms. LAM Lai Ming, the spouse of Mr. Li, a non-executive Director. Accordingly, Mr. Li is deemed to be interested in these 584,071,435 Shares.

(3) These 20,703,345 Shares represent 1,000 Shares held by Ryian S Ltd on trust on behalf of Mr. Soo and 20,702,345 Shares to be issued upon the exercise of the Employee Share Warrants granted to Ryian S Ltd, which holds these Shares on trust on behalf of Mr. Soo, under the ESR Scheme.

As at the Latest Practicable Date, save as disclosed in the paragraph above, none of the Directors had any interests in any Shares, Options or any convertible securities, warrants, options or derivatives in respect of Shares. Mr. Soo has indicated that he intends to vote to approve the Scheme in

the Court Meeting and the Reduction and Restoration in the EGM respectively in respect of the 1,000 Shares that he beneficially owns and have his Employee Share Warrants cancelled pursuant to the Rule 13 Offer. Therefore according to the shareholding as at the Latest Practicable Date and taking into account Mr. Soo's intention, Tan Sri Kong Hon Kong (on behalf of Rightitan) and Mr. Soo (on behalf of Ryian S Ltd) will be voting at the Court Meeting and the EGM.

Pursuant to the Irrevocable Undertakings, the Committed Shareholders have undertaken to, amongst other things, vote (or procure votes) to approve the Scheme at the Court Meeting and the Reduction and Restoration at the EGM. Each of Rightitan and Orchid has committed to elect the Holdco Shares Alternative as the form of Cancellation Consideration in respect of their respective Committed Shares, and AIF has committed to elect the Cash Alternative as the form of Cancellation Consideration in respect of its Committed Shares.

As at the Latest Practicable Date, none of Offeror Group Companies or any Holdco Concert Parties (except for and to the extent of the interest in 1,152,347,563 Shares held by the Founder's Group (representing approximately 42.69% of the issued share capital of the Company)) had any interests in any Shares, Options or any convertible securities, warrants, options or derivatives in respect of Shares.



### Interests and short positions of substantial shareholders and other persons required to be disclosed under the SFO

#### 1. Interests in the Company

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have, interests in Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares	Long / short position	Approximate percentage of shareholding in the Company as at the Latest Practicable Date
Rightitan Sdn. Bhd.	Beneficial owner <sup>(1)</sup>	1,152,347,563	Long	42.69%
OA-Nirvana Investment Limited	Beneficial owner <sup>(2)</sup>	584,071,435	Long	21.64%
OA-NV Investment Limited	Interest in a controlled corporation <sup>(2)</sup>	584,071,435	Long	21.64%
Orchid Asia V, L.P.	Interest in a controlled corporation <sup>(2)</sup>	584,071,435	Long	21.64%
OAV Holdings, L.P.	Interest in a controlled corporation <sup>(2)</sup>	584,071,435	Long	21.64%
Orchid Asia V GP, Limited	Interest in a controlled corporation <sup>(2)</sup>	584,071,435	Long	21.64%
Orchid Asia V Group Management, Limited	Interest in a controlled corporation <sup>(2)</sup>	584,071,435	Long	21.64%
Orchid Asia V Group, Limited	Interest in a controlled corporation <sup>(2)</sup>	584,071,435	Long	21.64%
AREO Holdings Limited	Interest in a controlled corporation <sup>(2)</sup>	584,071,435	Long	21.64%
Ms. LAM Lai Ming	Interest in a controlled corporation <sup>(2)</sup>	584,071,435	Long	21.64%
Transpacific Ventures Limited	Beneficial owner <sup>(3)</sup>	287,677,002	Long	10.66%
Neverland Global Limited	Interest in a controlled corporation <sup>(3)</sup>	287,677,002	Long	10.66%
AIF Capital Asia IV, L.P.	Interest in a controlled corporation <sup>(3)</sup>	287,677,002	Long	10.66%
AIF Capital Asia IV GP Limited	Interest in a controlled corporation <sup>(3)</sup>	287,677,002	Long	10.66%

Notes:

(1) These Shares are held by Rightitan, which is held as to approximately 99.90% by Tan Sri Kong Hon Kong, Managing Director and Chief Executive Officer. Accordingly, Tan Sri Kong is deemed to be interested in the 1,152,347,563 Shares held by Rightitan. The existing directors of Rightitan are Tan Sri Kong, Mr. Kong Yew Foong and Mr. Kong Yew Lian and the three of them are the executive Directors of the Company.

(2) These 584,071,435 Shares are held by Orchid which is held by OA-NV Investment Limited, which in turn is controlled by Orchid Asia V, L.P., which is 100% controlled by its general partner, OAV Holdings, L.P. whose sole general partner is Orchid Asia V GP, Limited,

which is held by Orchid Asia V Group Management, Limited, which is in turn held by Orchid Asia V Group Limited. The entire issued share capital of Orchid Asia V Group, Limited is held by AREO Holdings Limited, which is in turn held by Ms. LAM Lai Ming, the spouse of Mr. LI Gabriel, a non-executive Director. Accordingly, each of OA-NV Investment Limited, Orchid Asia V, L.P., OAV Holdings, L.P., Orchid Asia V GP, Limited, Orchid Asia V Group Management, Limited, Orchid Asia V Group, Limited, AREO Holdings Limited and Ms. LAM Lai Ming is deemed to be interested in such Shares. Mr. Li is an existing director of Orchid, OA-NV Investment Limited, Orchid Asia V, L.P., OAV Holdings, L.P., Orchid Asia V GP, Limited, Orchid Asia V Group Management, Limited, Orchid Asia V Group, Limited and AREO Holdings Limited.

- (3) The entire issued share capital of AIF is held by Neverland Global Limited, which in turn is 63.64% owned by AIF Capital Asia IV, L.P. The general partner of AIF Capital Asia IV, L.P. is AIF Capital Asia IV GP Limited. Accordingly, each of Neverland Global Limited, AIF Capital Asia IV, L.P. and AIF Capital Asia IV GP Limited is deemed to be interested in such number of Shares held by AIF. Mr. Barnes II, William Wesley, the alternate Director to Mr. Tse Po Shing Andy, is an existing director of AIF and Neverland Global Limited.

## 2. *Short positions in the Shares and underlying Shares*

As at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had short positions in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## Other Interests

As at the Latest Practicable Date, save as disclosed above in the paragraph headed “Interests and short positions of substantial shareholders and other persons required to be disclosed under the SFC” to Appendix III of this Scheme Document:

- (a) none of Offeror Group Companies nor any Holdco Concert Parties owned or controlled or had any interest or short positions which they had taken or deemed to have taken under such provisions of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of Shares;
- (b) none of the subsidiaries of the Company, nor any of the pension funds of the Group and any advisor to the Company as specified in class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders), owned or controlled any Shares, Options or any other convertible securities, warrants, options or derivatives in respect of Shares;
- (c) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code or Offeror Group Companies or any Holdco Concert Parties had any Shares, Options or any other convertible securities, warrants, options or derivatives in respect of Shares;
- (d) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis owned or controlled any Shares, Options or any convertible securities, warrants, options or derivatives in respect of Shares; and
- (e) none of the Company, the Directors, Holdco or any Holdco Concert Parties had borrowed or lent any Shares, Options or any convertible securities, warrants, options or derivatives in respect of Shares save for any Shares which had been either on-lent or sold.

## 7. SHARE CAPITAL OF HOLDCO AND CAPITAL, DIVIDENDS & VOTING RIGHTS OF HOLDCO SHARES

### Share capital of Holdco

On 7 July 2016, the sole shareholder of Holdco passed a resolution to authorise the increase of the authorised share capital of Holdco from US\$50,000 (divided into 5,000,000 Holdco Ordinary Shares) to US\$100,000,000.00 (divided into 200,000,000 Holdco Ordinary Shares and 9,800,000,000 Holdco Preference Shares).

As at the Latest Practicable Date, the authorised and issued share capital of Holdco are as follows:

<u>Authorised</u>	<u>US\$</u>
200,000,000 Holdco Ordinary Shares of US\$0.01 each .....	2,000,000.00
9,800,000,000 Holdco Preference Shares of US\$0.01 each .....	98,000,000.00
Total .....	<u>100,000,000.00</u>
<b>Issued and fully paid</b>	
1 Holdco Ordinary Share of US\$0.01 each .....	0.01
Total .....	<u>0.01</u>

Since 17 June 2016 (being the date of incorporation of Holdco) and up to and including the Latest Practicable Date, Holdco has in issue one Holdco Ordinary Share and has not repurchased the Holdco Ordinary Share. Save as disclosed above, Holdco has not undergone any re-organisation of capital.

As at the Latest Practicable Date, there are no options, warrants or conversion rights affecting any Holdco Shares.

### Rights in respect of capital

The Holdco Ordinary Shares to be issued pursuant to the Proposal will be issued free from all encumbrances, credited as fully paid up and will rank pari passu with the existing Holdco Ordinary Share(s) at the date of issue.

The Holdco Preference Shares to be issued pursuant to the Proposal will be issued free from all encumbrances and credited as fully paid up.

The Holdco Preference Shares can be redeemed (a) at the election of Holdco, subject to the consent of all of the Holdco Directors, or (b) automatically prior to a listing of any of the Holdco Group Companies on the Stock Exchange or any other recognised stock exchange as approved by the Holdco Directors. The Holdco Preference Shares shall not be redeemable at the option of the Holdco Preference Shareholders. The Holdco Preference Shares will be redeemed at an amount equal to the aggregate of (a) the par value of such Holdco Preference Shares, together with any amount credited to the share premium account in respect of such Holdco Preference Shares and (b) any accrued and unpaid Holdco Preference Share dividends as calculated up to and including the date on which such Holdco Preference Shares are redeemed by Holdco.

Upon a return of capital on liquidation or otherwise, Holdco Preference Shareholders are entitled, in proportion to the numbers of Holdco Preference Shares held by each of them and in priority

to any holder of any other class of Holdco Shares, to receive an amount equal to the aggregate of: (a) the par value of such Holdco Preference Shares, together with any amount credited to the share premium account in respect of such Holdco Preference Shares; and (b) any accrued and unpaid Holdco Preference Share dividends as calculated up to and including the date of the commencement of the winding up or (in any other case) the date of the return of capital.

Without prejudice to the above, if Holdco is wound up, the liquidator may, with the sanction of a Holdco Special Resolution divide amongst the Holdco Shareholders in specie the whole or any part of the assets of Holdco and may, for such purpose set such value as the liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the Holdco Shareholders.

### **Rights in respect of dividends**

There is no dividend policy in respect of the Holdco Ordinary Shares. There is no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the Holdco Ordinary Shares. Declaration and payment of Holdco Ordinary Shares dividends (if any) are dependent solely on whether such payment is lawful under the laws of the Cayman Islands and in the absolute discretion of the Holdco Board out of the realised or unrealised profits of Holdco or out of the premium paid on the issue of any Holdco Share or as otherwise permitted by the Companies Law. The payment of Holdco Ordinary Shares dividends is also subject to the prior rights of payment of Holdco Preference Shares dividends to the Holdco Preference Shareholders.

The Holdco Preference Shares will rank for any dividends or other distributions declared ahead of the Holdco Ordinary Shares. The Holdco Preference Shares do not offer any downside protection in that there is no capital protection guaranteed in the same way as there is none for Holdco Ordinary Shares.

Each Holdco Preference Shares holder is entitled to receive a fixed cumulative yearly compounding preferential dividend at the rate of 12% of the original issue price of each Holdco Preference Share per annum for each Holdco Preference Share held by such shareholder. Such preference dividends will accrue on a daily basis and shall be payable annually on each anniversary of the date of the issue of such Holdco Preference Shares, subject to Holdco having funds legally available for such purposes. There is no guarantee that any dividends will be paid on time in respect of the Holdco Preference Shares.

### **Rights in respect of voting**

The Holdco Ordinary Shareholders shall be entitled to receive notice of and attend general meetings of Holdco and shall have the right to one vote per Holdco Ordinary Share at such meetings. At any general meeting, a resolution put to the vote of the meeting shall be decided not by a show of hand, but only by a poll. On a poll every Holdco Ordinary Shareholder, preferred in person or by proxy and entitled to vote thereon, shall be entitled to one vote in respect of each Holdco Ordinary Share held by him.

The Holdco Preference Shareholders shall not be entitled to receive notice of general meetings of Holdco or to attend and vote at such meetings, save as required by the Companies Law.

Holdco shall, and shall procure (to the extent that it is able) that each Holdco Group Company shall only take the following actions with the authority of a Holdco Special Resolution:

- (a) change the name of Holdco (or any Holdco Group Company, as applicable);
- (b) amendment of the Holdco Articles (or the articles of association of any Holdco Group Company, as applicable);
- (c) amend or add to the Holdco Memorandum (or the memorandum of association of any Holdco Group Company);
- (d) reduce the share capital of Holdco (or any other Holdco Group Company, as applicable);
- (e) require Holdco (or any Holdco Group Company, as applicable) to be wound up by the Grand Court; or
- (f) approve a plan of merger or consolidation.

Holdco shall, and shall procure (to the extent that it is able) that each Holdco Group Company shall only take the following actions with the approval of all of the Holdco Directors:

- (a) issue of Holdco Shares, options or other securities convertible or exchangeable for share capital or registered capital of Holdco (or any Holdco Group Company, as applicable), except (A) to issue new Holdco Shares to the public in a listing; (B) pursuant to any management incentive plans; or (C) where such offer is made to all shareholders on a pro-rata basis;
- (b) redeem, buy-back, cancel or repurchase of any Holdco Shares (or the shares of any Holdco Group Company) or any options or other securities or obligations which are by their terms convertible into or exchangeable or exercisable for Holdco Shares (or the shares of any Holdco Group Company) except (A) to facilitate a listing which impacts all the shareholders of Holdco on a pro rata basis; or (B) pursuant to any management incentive plans;
- (c) other than pursuant to the obligations of the parties under the Implementation Agreement and the Irrevocable Undertakings, sell, transfer or dispose of all or substantially all of the business or assets of Holdco (or any Holdco Group Company);
- (d) change the size of the Holdco Board (or the board of directors of any Holdco Group Company) or any committee of the Holdco Board (or the board of directors of any Holdco Group Company);
- (e) materially change the nature of the business undertaken by the Holdco Group;
- (f) other than pursuant to the obligations of the parties under the Implementation Agreement and the Irrevocable Undertakings, approve or change any dividend and the distribution policies of Holdco (or any Holdco Group Company);
- (g) other than the lease of premises to be leased from Holdco Shareholders for the ordinary course of the Holdco Group's business on normal commercial terms or better to Holdco, entry by any Holdco Group Company into any transaction with: (A) any shareholder, director or manager of any Holdco Group Company or any of their affiliates, or (B) a person connected with any of them (including immediate family members) whether or not funds are extracted from a Holdco Group Company to a related party;

- (h) appoint or change the auditors of Holdco (or the auditors of any Holdco Group Company);
- (i) the continuance or removal of Holdco (or any Holdco Group Company) to any other jurisdiction;
- (j) borrow money or incur any indebtedness (otherwise than in the ordinary and usual course of business) which would result in the aggregate indebtedness of the Holdco Group net of cash exceeding 4.5x EBITDA;
- (k) acquire or invest in by any means by the Holdco Group any business or asset at a price or with a value of US\$50,000,000 or more (taken together with any related acquisitions); and
- (l) convening a general meeting or circulating a written resolution dealing with any of the matters requiring the authority of a Holdco Special Resolution.

The Holdco Articles provide that save for actions listed above requiring a Holdco Special Resolution or the approval of all Holdco Directors, all other resolutions to be passed at a Holdco Board meeting shall be determined only by the approval of all of the Holdco Directors less one Holdco Director.

#### **Transfer of Shares, Drag-Along and Tag-Along**

Under the Holdco Articles, in the event of a sale (through a single transaction or a series of related transactions) of more than 30% of all issued Holdco Ordinary Shares by a Holdco Shareholder(s) to a bona fide third party, the selling Holdco Shareholder(s) shall have the right but not the obligation to require all of the other Holdco Shareholders to transfer to the bona fide third party such portion of their Holdco Ordinary Shares that is equal to the proportion that the number of Holdco Ordinary Shares intended for transfer bear to such selling Holdco Shareholder(s)' aggregate holding of Holdco Ordinary Shares. In the event of a sale (through a single transaction or a series of related transactions) of any Holdco Ordinary Shares by a Holdco Shareholder(s) to a bona fide third party, each of the other non-selling Holdco Shareholders shall have the right but not the obligation to sell such proportion of its Holdco Ordinary Shares that is equal to the same proportion as the Holdco Ordinary Shares intended for transfer bear to the selling Holdco Shareholder(s)' aggregate holding of Holdco Ordinary Shares at that time and on terms and conditions no less favourable than those offered by the bona fide third party to the selling Holdco Shareholder(s).

If, in one or a series of related transactions, a person who directly or indirectly controls a Holdco Shareholder transfers shares or other interests in a company or entity to a transferee which results in a change of control of such Holdco Shareholder, such Holdco Shareholder shall notify the other Holdco Shareholders at the time and such other Holdco Shareholders may require the transferee to purchase all the Holdco Shares held by the other Holdco Shareholders. If the transferee fails to purchase the Holdco Shares put forward for sale by the other Holdco Shareholders, the obligation to buy such Holdco Shares shall rest on the Holdco Shareholder which is affected by the change of control.

In the event a Holdco Shareholder holds both Holdco Ordinary Shares and Holdco Preference Shares, such Holdco Shareholder's Holdco Ordinary Shares may only be transferred if (and no transfer will be permitted unless) there is also a transfer of a proportionate number of such Holdco



Shareholder's Holdco Preference Shares (and vice versa) so that the ratio of that Holdco Shareholder's Holdco Ordinary Shares to Holdco Preference Shares remains unchanged after the transfer. Notwithstanding the foregoing, the restrictions in this paragraph shall not apply to any transfer of shares by Equityco (for so long as it is a Holdco Shareholder) to or for the benefit of the management of Holdco pursuant to any management incentive plan, share option scheme or other similar incentive scheme of Holdco.

Save for the above and other limited exceptions, no Holdco Shares may be transferred, assigned or disposed of by any Holdco Shareholder from the Completion Date until the earlier of (a) the date on which the Investment Funds cease to directly or indirectly hold 16% or more of the Holdco Ordinary Shares or (b) the date which is five years after the completion of the withdrawal of listing of the Company from the Stock Exchange after the Effective Date.

Notwithstanding the above and save for the initial transfer of Holdco Shares by a nominee (including but not limited to HKSCC Nominees Limited) to its Beneficial Owner who has elected the Holdco Shares Alternative as the form of Cancellation Consideration (which the Holdco Board has consented to in writing), the Holdco Shares will not be tradable or transferable without the prior consent of the Holdco Board (which may be withheld in its absolute discretion, subject always to the laws of Cayman Islands, including but not limited to the duties of the Holdco Directors) and will be shares of an unlisted Cayman Islands incorporated exempted company. The ability of the Holdco Board to withhold its consent in its absolute discretion to the transfer of Holdco Shares is common restrictive wording adopted by many private companies in the Cayman Islands. The issue and/or transfer of Holdco Shares will be strictly regulated pursuant to the Holdco Articles and the rights of Scheme Shareholders in Holdco will primarily be governed by the Companies Law, the laws of Cayman Islands and the Holdco Articles.

## 8. DISCLOSURE OF INTERESTS IN BIDCO SHARES AND HOLDCO SHARES

As at the Latest Practicable Date, save as disclosed below and in the section headed "16. Information on Bidco, Holdco and Equityco" of the Explanatory Memorandum on pages 87 to 88 of this Scheme Document, none of the directors of Bidco, Holdco Directors, directors of Equityco, Holdco or any Holdco Concert Parties owned or controlled or were interested in any Bidco Shares or Holdco Shares, or any convertible securities, warrants, options or derivatives in respect of Bidco Shares or Holdco Shares.

<u>Name of Bidco Shareholder</u>	<u>Capacity</u>	<u>Long/Short position</u>	<u>Number of issued Bidco Shares held</u>	<u>Percentage of Bidco's issued share capital (%)</u>
Parentco .....	Beneficial Interest	Long	100	100

<u>Name of Holdco Shareholder</u>	<u>Capacity</u>	<u>Long/Short position</u>	<u>Number of issued Holdco Shares held</u>	<u>Percentage of Holdco's issued share capital (%)</u>
Equityco .....	Beneficial Interest	Long	1	100

As at the Latest Practicable Date, save as disclosed above:

- (a) none of the Company or the Directors or any Committed Shareholder had any interests in any Bidco Shares or Holdco Shares or any convertible securities, warrants, options or derivatives in respect of any Bidco Shares or Holdco Shares;



- (b) none of the subsidiaries of the Company, nor any of the pension funds of the Group and so far as the Company is aware, none of any advisor to the Company as specified in class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal trader) owned or controlled any Bidco Shares or Holdco Shares or any convertible securities, warrants, options or derivatives in respect of any Bidco Shares or Holdco Shares;
- (c) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code or with Bidco or Holdco or any person acting in concert with Bidco or Holdco had any Bidco Shares or Holdco Shares or any convertible securities, warrants, options or derivatives in respect of any Bidco Shares or Holdco Shares;
- (d) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis owned or controlled any Bidco Shares or Holdco Shares or any convertible securities, warrants, options or derivatives in respect of any Bidco Shares or Holdco Shares;
- (e) none of the Company, the Directors, Holdco or any Holdco Concert Parties had borrowed or lent any Bidco Shares or Holdco Shares or any convertible securities, warrants, options or derivatives in respect of any Bidco Shares or Holdco Shares save for any Bidco Shares or Holdco Shares which had been either on-lent or sold.

## 9. DEALINGS IN THE SHARES

During the Relevant Period, Mr. Soo Wei Chian, an executive Director of the Company, through its trustee Ryian S Ltd, had dealt for value in options in respect of the Shares as follows:

<u>Nature of dealings</u>	<u>Date of exercise</u>	<u>Date of grant of options</u>	<u>No. of securities under the options</u>	<u>Exercise Period</u>	<u>Exercise Price</u>	<u>Option money paid / received</u>
				From 17 December 2014 to		
Exercise of Employee Share Warrants . . . . .	30 August 2016	30 June 2014	1,000 Shares	31 December 2019	HK\$1.525	HK\$1,525

Save as disclosed in the table above:

- (a) none of the Offeror Group Companies or Holdco Concert Parties and none of the board of Bidco, Holdco Board or Equityco Board have dealt for value in any Shares, Options or any other convertible securities, warrants, options or derivatives in respect of Shares during the Relevant Period;
- (b) none of the Company or any subsidiary of the Company, nor any pension fund of the Company or any of its subsidiaries have dealt for value in Shares, Options or any other convertible securities, warrants, options or derivatives in respect of Shares during the Relevant Period;
- (c) so far as the Company is aware, no advisors to the Company as specified in class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal trader) have dealt for value in Shares, Options or any other convertible securities, warrants, options or derivatives in respect of Shares during the Relevant Period;

- (d) so far as the Company is aware, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code or with Offeror Group Companies or any Holdco Concert Parties has dealt for value in Shares, Options or any other convertible securities, warrants, options or derivatives in respect of Shares during the Relevant Period;
- (e) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis have dealt for value in any Shares, Options or any other convertible securities, warrants, options or derivatives in respect of Shares during the Relevant Period; and
- (f) none of the Holdco Directors, Directors or the Committed Shareholders has dealt for value in any Shares, Options or any other convertible securities, warrants, options or derivatives in respect of Shares during the Relevant Period.

#### 10. DEALINGS IN HOLDCO SHARES

No person has dealt for value in any Bidco Shares, Holdco Shares or any convertible securities, warrants, options or derivatives in respect of any Bidco Shares or Holdco Shares during the Relevant Period.

#### 11. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is pending or known to the Directors to be threatened by or against any member of the Group.

As at the Latest Practicable Date, Holdco was not engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is pending or known to the Holdco Directors to be threatened by or against Holdco.

#### 12. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by the Company or any of its subsidiaries after the date two years before 8 July 2016, being the Announcement Date, up to and including the Latest Practicable Date and which are or may be material:

- (a) a share purchase agreement termination deed dated 12 August 2014 entered into between OA-NV Investment Limited (“**OA-NV Investment**”), Orchid, Rightitan, Dermot Limited (“**Dermot**”), Founder and the Company pursuant to which the parties agreed, amongst other things, that certain rights under a share purchase agreement dated 11 October 2013 between Dermot, Rightitan and OA-NV Investment will terminate upon the listing of the Shares on the Stock Exchange becoming effective;
- (b) a share purchase agreement termination deed dated 12 August 2014 entered into between Neverland Global Limited (“**Neverland**”), AIF, Rightitan, Dermot, Founder and the Company pursuant to which the parties agreed, amongst other things, that

- certain rights under a share purchase agreement dated 12 December 2013 between Dermot, Rightitan and Neverland, will terminate upon the listing of the Shares on the Stock Exchange becoming effective;
- (c) a shareholders agreement termination deed dated 12 August 2014 entered into between Orchid, AIF, Rightitan and the Company pursuant to which the parties agreed that certain of the rights and obligations under a shareholders agreement (as amended and restated on 30 January 2014) between Rightitan, Orchid and AIF in respect of the Company will terminate upon the listing of the Shares on the Stock Exchange becoming effective;
  - (d) a memorandum of agreement dated 29 August 2014 entered into between DSI Land Company Ltd, an independent third party, and Puritrans Sdn. Bhd., a wholly-owned subsidiary of the Company, in relation to the development of land for the provision of death care services and products in Vietnam. The final agreement was crystallised on 28 July 2015 as stated in item (r) below;
  - (e) a memorandum of understanding dated 23 September 2014 entered into between Taiwan Tangjing International Development Company Limited\* (台灣唐京國際開發有限公司), an independent third party, and Nirvana China Sdn. Bhd., a wholly-owned subsidiary of the Company, in relation to exploring further cooperation and investment opportunities among the parties in China. The final agreement was crystallised on 2 February 2015 as stated in item (l) below;
  - (f) a share sale agreement dated 23 September 2014 entered into between Well Global Investments (Singapore) Pte Limited (“**Well Global**”) as vendor and Eagle Heritage Limited (“**Eagle Heritage**”), a wholly-owned subsidiary of the Company, as purchaser, pursuant to which Eagle Heritage acquired the 30% equity interest held by Well Global in the Company’s Singapore subsidiary, Nirvana Memorial Garden Pte. Ltd. (“**NMGPL**”), for the total consideration of SG\$30,888,000. NMGPL thereafter became a wholly-owned subsidiary of Nirvana Singapore Pte. Ltd. (“**NVSPL**”) after Eagle Heritage transferred the 30% equity interest to NVSPL on 31 December 2015;
  - (g) a deed of non-competition dated 14 November 2014, entered into among Founder’s Group and the Company in respect of certain restricted death care business;
  - (h) a cornerstone investment agreement dated 28 November 2014 entered into between the Company, ViewFinder L.P. (“**ViewFinder**”), UBS AG Hong Kong Branch, DBS Asia Capital Limited and UBS Securities Hong Kong Limited pursuant to which ViewFinder agreed to subscribe for certain Shares initially offered by the Company in its global offering in 2014 with an aggregate amount of US\$30 million;
  - (i) a cornerstone investment agreement dated 28 November 2014 entered into between the Company, Taikang Life Insurance Co., Ltd. (“**Taikang**”), UBS AG Hong Kong Branch, DBS Asia Capital Limited and UBS Securities Hong Kong Limited pursuant to which Taikang agreed to subscribed for certain Shares initially offered by the Company in its global offering in 2014 with an aggregate amount of US\$30 million;
  - (j) an underwriting agreement dated 3 December 2014 entered into by, among others, UBS AG Hong Kong Branch, DBS Asia Capital Limited, CIMB Securities Limited and the Company relating to the offer of certain Shares for subscription by the public in Hong Kong (“**Hong Kong Public Offering**”), pursuant to which UBS AG Hong Kong

Branch, DBS Asia Capital Limited and CIMB Securities Limited will receive a commission of 2.5% of the aggregate offer price payable for the Shares offered under the Hong Kong Public Offering;

- (k) a purchase agreement dated 9 December 2014 entered into by, among others, UBS AG Hong Kong Branch, DBS Asia Capital Limited, CIMB Securities Limited and the Company relating to the offer of certain Shares to several international purchasers or purchasers procured by them (“**International Placing**”), pursuant to which UBS AG Hong Kong Branch, DBS Asia Capital Limited, CIMB Securities Limited and other international purchasers will receive a commission of 2.5% of the aggregate offer price payable for the Shares offered under the International Placing;
- (l) a cooperation agreement dated 2 February 2015 entered into between Global Faith (Hong Kong) Limited (“**Global Faith**”), a wholly-owned subsidiary of the Company, and Huizhou Longyan Art Cemetery Development Co., Ltd. (“**Huizhou Longyan**”) pursuant to which Huizhou Longyan granted the Group an exclusive right to provide services in relation to the management, operation and sale of the niches in the columbarium facilities known as the “Longyan Main Tower” in Huiyang District, Huizhou City, Guangdong Province, PRC and a non-exclusive right to provide services in relation to the sale of other death care products and facilities of Huizhou Longyan;
- (m) a supplementary cooperation agreement to the cooperation agreement as stated in item (l) above dated 2 February 2015 and entered into between Global Faith, Huizhou Longyan and Ke Qingrong, the ultimate controller of Huizhou Longyan, pursuant to which Global Faith shall pay HK\$3.5 million to Ke Qingrong within five business days of this agreement as surety, and Ke Qingrong shall return the same amount within five business days after Global Faith establishes a subsidiary in China and opens a bank account in the name of the subsidiary. Within five business days after Ke Qingrong’s return of the surety, Global Faith shall pay RMB15 million as pre-payment pursuant to the cooperation agreement as stated in item (l) above;
- (n) a sale and purchase agreement dated 2 March 2015 entered into between Nirvana Memorial Park Sdn. Bhd. (“**NMP**”), a wholly-owned subsidiary of the Company, as purchaser and WFS Memorial Tomb Management Sdn. Bhd. (“**WFS**”) as vendor and Wong Chen Hoong and Wang Siew Yuen to acquire (i) all the business together with all goodwill and rights attached thereto, dealings or trade as a contractor for the design and construction of tombs at six memorial parks of the Group and throughout Malaysia, as conducted by WFS; and (ii) the business assets owned by WFS which include property, plant and equipment, inventories, licenses and permits, at an aggregate consideration of RM15 million;
- (o) a joint venture agreement (the “**Joint Venture Agreement**”) dated 16 June 2015 entered into between Nirvana Memorial Park (Klang) Sdn. Bhd. (the “**NMPKLG**”) and Klang Kwong Tung Association (the “**Kwong Tung Association**”) pursuant to which the Kwong Tung Association shall supply two parcels of agricultural lands located in Selangor, Malaysia to NMPKSB to construct columbarium complexes for sale and NMPKSB will provide a fixed percentage of the net sales proceeds to the Kwong Tung Association. This Joint Venture Agreement was subsequently terminated pursuant to the termination agreement as referred to in item (u) below;

- (p) a license agreement (the “**License Agreement**”) dated 16 June 2015 entered into between Nirvana Memorial Park (Templer) Sdn. Bhd. (“**NMPTSB**”) and the Kwong Tung Association pursuant to which NMPTSB shall advance a sum of RM7.0 million to the Kwong Tung Association for construction of a funeral home on a parcel of land located in Klang, Selangor, Malaysia (the “**Funeral Home**”), and Kwong Tung Association shall subsequently lease the Funeral Home to NMPTSB for 30 years with an option to extend for another 20 years. The advance shall be set off by lease rental payable to the Kwong Tung Association by NMPTSB for leasing the land;
- (q) an agreement dated 28 July 2015 entered into between Nirvana Memorial Park Co., Ltd., Nirvana Memorial Garden Co., Limited (“**NMG Thailand**”), Nirvana Thailand Sdn. Bhd. and Vilailux Development Company Limited pursuant to which NMG Thailand acquired 40% equity interest in Nirvana Memorial Park Co. Ltd for a cash consideration of THB18.842 million;
- (r) an agreement dated 28 July 2015 entered into between Puritrans Sdn. Bhd., a wholly-owned subsidiary of the Company, as purchaser and Dawn’s International Land Company Limited as vendor, pursuant to which Puritrans Sdn. Bhd. acquired 70% equity interest in Nirvana Memorial Park Company Limited, a company incorporated under the laws of Vietnam, for a purchase consideration of approximately 44.1 billion Vietnamese dong;
- (s) a share subscription agreement dated 2 September 2015 entered into between Essential Scope Sdn. Bhd. (“**ESSB**”), a wholly-owned subsidiary of the Company, PT Nirvana Memorial Nusantara (“**PT Nusantara**”), PT Bentara Bumi Morawa” and a minority shareholder of PT Nusantara pursuant to which ESSB agreed to subscribe 70.0% interest of PT Nusantara’s share capital for the consideration of 17.5 billion Indonesian Rupiah;
- (t) an agreement dated 28 October 2015 entered into between NMPKLG and two independent third party individuals pursuant to which NMPKLG acquired 100% equity interest in Everest Fairway Sdn. Bhd. for a total consideration of RM1.5 million;
- (u) a termination agreement dated 19 November 2015 entered into between NMPKLG and the Kwong Tung Association to terminate the Joint Venture Agreement as referred to in item (o) above;
- (v) a joint venture agreement dated 19 November 2015 entered into between NMPTSB and the Kwong Tung Association, on the same terms and conditions as per the Joint Venture Agreement referred to in item (o) above, pursuant to which NMPTSB is granted the right to construct a columbarium complex and other ancillary facilities on top of the Funeral Home for sale and in return provide a fixed percentage of the net sales proceeds to the Kwong Tung Association;
- (w) an acceptance of the letter of offer from the Singapore Land Authority by Mount Prajna Ltd., a subsidiary of the Company, dated 15 January 2016, pursuant to which Mount Prajna Ltd. accepted the extension of the existing lease period in respect of a parcel of land located at No. 950, Old Choa Chu Kang Road, Singapore where the Group’s columbarium, Nirvana Memorial Garden, Singapore was erected thereon, from

14 August 2029 to 13 August 2008, for a lease extension premium of SG\$47 million together with 7% goods and services tax of approximately SG\$3 million; and

- (x) the Implementation Agreement.

Save as disclosed below, neither Bidco or Holdco has entered into any material contracts, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by Bidco or Holdco since 24 June 2016 and 17 June 2016, being the date of incorporation of Bidco and Holdco respectively, up to and including the Latest Practicable Date:

- (a) the Implementation Agreement;
- (b) the Irrevocable Undertakings;
- (c) the letter of credit granted by Lloyds Bank plc and Standard Chartered Bank PLC to Holdco on 7 July 2016;
- (d) the facility agreement in relation to the Facility between, amongst others, CIMB Bank Berhad and Bidco dated 8 July 2016;
- (e) the intercompany loan agreement for a loan of HK\$2,193,970,470.26 between Holdco and Equityco dated 7 July 2016 for Holdco's general corporate purposes (including the funding of acquisitions); and
- (f) the intercompany loan agreement for a loan of not more than HK\$3,410,000,000 between Bidco and Holdco dated 8 July 2016 for Holdco's general corporate purposes (including the funding of acquisitions).

### 13. EXPERTS

The following are the qualifications of each of the experts who has given opinions or advice which are contained in this Scheme Document:

<u>Name</u>	<u>Qualifications</u>
J.P. Morgan Securities (Asia Pacific) Limited	a registered institution under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
Somerley Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	property valuer

### 14. CONSENTS

Each of (a) J.P. Morgan; (b) Somerley; and (c) Jones Lang LaSalle Corporate Appraisal and Advisory Limited has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of the opinions and/or letters and/or the references to its name and/or opinions and/or letters in the form and context in which they respectively appear.



**15. MISCELLANEOUS**

- (a) The Directors are:

*Executive Directors*

Tan Sri KONG Hon Kong (Managing Director and Chief Executive Officer)  
Mr. KONG Yew Foong  
Mr. SOO Wei Chian  
Mr. KONG Yew Lian

*Non-executive Directors*

Dato' FU Ah Kiow @ Oh (Fu) Soon Guan (Chairman)  
Mr. LI Gabriel  
Mr. ANG Teck Shang  
Mr. TSE Po Shing Andy (Mr. BARNES II, William Wesley as his alternate)

*Independent Non-executive Directors*

Tan Sri CHAN Kong Choy  
Mr. NG Soon Lai @ Ng Siek Chuan  
Mr. FOONG Soo Hah  
Ms. Anita CHEW Cheng Im

- (b) The Joint Company Secretaries of the Company are Ms. CHEN Huey Jiuan and Ms. NG Sau Mei.
- (c) The registered office of the Company is situated at 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.
- (d) The principal place of business of the Company in Hong Kong is at 36th Floor, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- (e) The principal share registrar and transfer office of the Company is Harneys Services (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.
- (f) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (g) The directors of Bidco are Augustin Marie Jerome Delorme, Tan Ting Luen, Cheng Chia Ping and Tan Hor Seng.
- (h) The registered office of Bidco is Level 7, Menara Milenium Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490, Kuala Lumpur, Malaysia.
- (i) The Holdco Directors are Edward M. Fletcher, Stephen Anthony Rae McGrath and Marc George Ledingham Rachman.
- (j) The registered office of Holdco is 94 Solaris Avenue, Camana Bay, P.O. Box 1348, Grand Cayman KY1-1108, Cayman Islands.



- (k) Save as disclosed in this Scheme Document, the Holdco Directors have stated that Holdco does not have any intention to transfer, charge or pledge any Shares received pursuant to the Scheme to any other person.
- (l) Bidco and Holdco are wholly-owned subsidiaries of the Investment Funds, of which CVC is an investment sub-advisor.
- (m) The Investment Funds act through their general partner CVC Capital Partners Asia IV Limited. The directors of CVC Capital Partners Asia IV Limited are Carl John Hansen, Marc George Ledingham Rachman and William Brian Scholfield.
- (n) The registered office of J.P. Morgan is 33/F, One Island East, 18 Westlands Road, Island East, Hong Kong.
- (o) The principal place of business of J.P. Morgan is situated at 28/F, Chater House, 8 Connaught Road Central, Hong Kong.
- (p) The principal place of business of Somerley is situated at 20/F, China Building, 29 Queen's Road Central, Hong Kong.
- (q) None of the existing Directors will be given any benefit as compensation for loss of office or otherwise in connection with the Scheme.
- (r) The emoluments of the Holdco Directors will not be affected by the Scheme or by any other associated transactions.
- (s) Other than the facilities entered into for the purposes of the Proposal and any security and guarantees granted in relation to such facilities, neither Holdco or any of its subsidiaries have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges or guarantees or other material contingent liabilities.
- (t) Other than the proposed MIP (the adoption of which is subject to the Scheme becoming effective), there is no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme.
- (u) Other than the Irrevocable Undertakings and the proposed MIP (the adoption of which is subject to the Scheme becoming effective), there is no agreement or arrangement or understanding (including any compensation arrangement) between Offeror Group Companies or any Holdco Concert Parties (on the one part) and any of the Directors, recent Directors, Shareholders or recent Shareholders (on the other part) having any connection with or dependence upon the Scheme.
- (v) As at the Latest Practicable Date, other than the Implementation Agreement and the Irrevocable Undertakings in which Tan Sri Kong Hon Kong and Mr. Gabriel Li (who are Directors) may be considered to have a material interest as they have interests in Shares, which are subject to the Scheme, there was no material contract entered into by Holdco in which any of the Directors had a material personal interest.
- (w) As at the Latest Practicable Date, there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between Offeror Group Companies, any Holdco Concert Parties, or any associate of Holdco, and any other person.
- (x) As at the Latest Practicable Date, neither the Company nor any of its associates by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person.

- (y) As at the Latest Practicable Date, none of the Directors has entered into any service contract with the Company or any of its subsidiaries or associated companies which (a) (including both continuous and fixed term contracts) have been entered into or amended within six months before the commencement of the Offer Period; or (b) is a continuous contract with a notice period of 12 months or more; or (c) is a fixed term contract with more than 12 months to run irrespective of notice period.
- (z) Other than the Implementation Agreement, there are no other arrangements or agreements to which Holdco is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal, save for the Conditions, and the circumstances in which the Conditions can be waived, set out on pages 69 to 71 in the Explanatory Memorandum.
- (aa) The English language text of this Scheme Document shall prevail over the Chinese language text.

## 16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company, 36th Floor, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, from 9:30 a.m. to 5:30 p.m., Monday to Friday and on the website of the Company at [www.nirvana-asia-ltd.com](http://www.nirvana-asia-ltd.com) and the website of SFC at [www.sfc.hk](http://www.sfc.hk) from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of Holdco;
- (c) the annual reports of the Company for the two years ended 31 December 2014 and 2015 and the interim results announcement of the Company for the six months ended 30 June 2016;
- (d) the letter from the Board, the text of which is set out on pages 12 to 35 of this Scheme Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 36 to 37 of this Scheme Document;
- (f) the letter from Somerley, the text of which is set out on pages 38 to 63 of this Scheme Document;
- (g) the letters and summaries of valuation from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in “Appendix II—Property Valuation” to this Scheme Document;
- (h) the letter from J.P. Morgan setting out the Estimates of Value of Holdco Shares, the text of which is set out on in “Appendix V—Estimates of Value of Holdco Shares” to this Scheme Document;
- (i) written consents referred to in the section headed “14. Consents” in “Appendix III—General Information” to this Scheme Document;

- (j) the material contracts referred to in the section headed “12. Material Contracts” in “Appendix III—General Information” to this Scheme Document;
- (k) the equitable share mortgage granted in relation to shares in the Company by Bidco to CIMB Investment Bank Berhad dated 8 July 2016;
- (l) the debenture granted by Bidco to CIMB Investment Bank Berhad dated 8 July 2016;
- (m) the share charge granted in relation to shares in Bidco by Parentco to CIMB Investment Bank Berhad dated 8 July 2016;
- (n) the charge over accounts granted by Bidco to CIMB Investment Bank Berhad dated 8 July 2016;
- (o) the irrevocable undertakings from the Committed Shareholders received by Holdco referred to in the section headed “6. Irrevocable Undertakings to Accept the Proposal” in the Explanatory Memorandum; and
- (p) this Scheme Document.

A summary of the terms and provisions of the Holdco Articles are set out below.

**Rights in respect of capital**

The Holdco Ordinary Shares to be issued pursuant to the Proposal will be issued free from all encumbrances, credited as fully paid up and will rank *pari passu* with the existing Holdco Ordinary Share(s) at the date of issue.

The Holdco Preference Shares to be issued pursuant to the Proposal will be issued free from all encumbrances and credited as fully paid up.

The Holdco Preference Shares can be redeemed (a) at the election of Holdco, subject to the consent of all of the Holdco Directors, or (b) automatically prior to a listing of any of the Holdco Group Companies on the Stock Exchange or any other recognised stock exchange as approved by the Holdco Directors. The Holdco Preference Shares shall not be redeemable at the option of the Holdco Preference Shareholders. The Holdco Preference Shares will be redeemed at an amount equal to the aggregate of (a) the par value of such Holdco Preference Shares, together with any amount credited to the share premium account in respect of such Holdco Preference Shares and (b) any accrued and unpaid Holdco Preference Share dividends as calculated up to and including the date on which such Holdco Preference Shares are redeemed by Holdco.

Upon a return of capital on liquidation or otherwise, Holdco Preference Shareholders are entitled, in proportion to the numbers of Holdco Preference Shares held by each of them and in priority to any holder of any other class of Holdco Shares, to receive an amount equal to the aggregate of: (a) the par value of such Holdco Preference Shares, together with any amount credited to the share premium account in respect of such Holdco Preference Shares; and (b) any accrued and unpaid Holdco Preference Share dividends as calculated up to and including the date of the commencement of the winding up or (in any other case) the date of the return of capital.

Without prejudice to the above, if Holdco is wound up, the liquidator may, with the sanction of a Holdco Special Resolution divide amongst the Holdco Shareholders in specie the whole or any part of the assets of Holdco and may, for such purpose set such value as the liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the Holdco Shareholders.

**Rights in respect of dividends**

There is no dividend policy in respect of the Holdco Ordinary Shares. There is no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the Holdco Ordinary Shares. Declaration and payment of Holdco Ordinary Shares dividends (if any) are dependent solely on whether such payment is lawful under the laws of the Cayman Islands and in the absolute discretion of the Holdco Board out of the realised or unrealised profits of Holdco or out of the premium paid on the issue of any Holdco Share or as otherwise permitted by the Companies Law. The payment of Holdco Ordinary Shares dividends is also subject to the prior rights of payment of Holdco Preference Shares dividends to the Holdco Preference Shareholders.

The Holdco Preference Shares will rank for any dividends or other distributions declared ahead of the Holdco Ordinary Shares.

Each Holdco Preference Shares holder is entitled to receive a fixed cumulative yearly compounding preferential dividend at the rate of 12% of the original issue price of each Holdco Preference Share per annum for each Holdco Preference Share held by such shareholder. Such preference dividends will accrue on a daily basis and shall be payable annually on each anniversary of the date of the issue of such Holdco Preference Shares, subject to Holdco having funds legally available for such purposes.

**Rights in respect of voting**

The Holdco Ordinary Shareholders shall be entitled to receive notice of and attend general meetings of Holdco. At any general meeting, a resolution put to the vote of the meeting shall be decided not by a show of hands, but only by a poll. On a poll every Holdco Ordinary Shareholder, present in person or by proxy and entitled to vote thereon, shall be entitled to one vote in respect of each Holdco Ordinary Share held by him.

The Holdco Preference Shareholders shall not be entitled to receive notice of general meetings of Holdco or to attend and vote at such meetings, save as required by the Companies Law.

Holdco shall, and shall procure (to the extent that it is able) that each Holdco Group Company shall only take the following actions with the authority of a Holdco Special Resolution:

- (a) change the name of Holdco (or any Holdco Group Company, as applicable);
- (b) amend or add to the Holdco Articles (or the articles of association of any Holdco Group Company, as applicable);
- (c) amend or add to the Holdco Memorandum (or the memorandum of association of any Holdco Group Company);
- (d) reduce the share capital of Holdco (or any other Holdco Group Company, as applicable);
- (e) require Holdco (or any Holdco Group Company, as applicable) to be wound up by the Grand Court; or
- (f) approve a plan of merger or consolidation.

Holdco shall, and shall procure (to the extent that it is able) that each Holdco Group Company shall only take the following actions with the approval of all of the Holdco Directors:

- (a) issue of Holdco Shares, options or other securities convertible or exchangeable for share capital or registered capital of Holdco (or any Holdco Group Company, as applicable), except (A) to issue new Holdco Shares to the public in a listing; (B) pursuant to any management incentive plans; or (C) where such offer is made to all shareholders on a pro-rata basis;
- (b) redeem, buy-back, cancel or repurchase of any Holdco Shares (or the shares of any Holdco Group Company) or any options or other securities or obligations which are by their terms convertible into or exchangeable or exercisable for Holdco Shares (or the shares of any Holdco Group Company) except (A) to facilitate a listing which impacts all the shareholders of Holdco on a pro rata basis; or (B) pursuant to any management incentive plans;

- (c) other than pursuant to the obligations of the parties under the Implementation Agreement and the Irrevocable Undertakings, sell, transfer or dispose of all or substantially all of the business or assets of Holdco (or any Holdco Group Company);
- (d) change the size of the Holdco Board (or the board of directors of any Holdco Group Company) or any committee of the Holdco Board (or the board of directors of any Holdco Group Company);
- (e) materially change the nature of the business undertaken by the Holdco Group;
- (f) other than pursuant to the obligations of the parties under the Implementation Agreement and the Irrevocable Undertakings, approve or change any dividend and the distribution policies of Holdco (or any Holdco Group Company);
- (g) other than the lease of premises to be leased from Holdco Shareholders for the ordinary course of the Holdco Group's business on normal commercial terms or better to Holdco, entry by any Holdco Group Company into any transaction with: (A) any shareholder, director or manager of any Holdco Group Company or any of their Affiliates, or (B) a person connected with any of them (including immediate family members) (each a "Related Party") whether or not funds are extracted from a Holdco Group Company to a Related Party;
- (h) appoint or change the auditors of Holdco (or the auditors of any Holdco Group Company);
- (i) the continuance or removal of Holdco (or any Holdco Group Company) to any other jurisdiction;
- (j) borrow money or incur any indebtedness (otherwise than in the ordinary and usual course of business) which would result in the aggregate indebtedness of the Holdco Group net of cash exceeding 4.5x EBITDA;
- (k) acquire or invest in by any means by the Holdco Group any business or asset at a price or with a value of US\$50,000,000 or more (taken together with any related acquisitions); or
- (l) convening a general meeting or circulating a written resolution dealing with any of the matters requiring the authority of a Holdco Special Resolution.

The Holdco Articles provide that save for actions listed above requiring a Holdco Special Resolution or the approval of all Holdco Directors, all other resolutions to be passed at a Holdco Board meeting shall be determined only by the approval of all of the Holdco Directors less one Holdco Director.

#### **Transfer of Shares, Drag-Along and Tag-Along**

Under the Holdco Articles, in the event of a sale (through a single transaction or a series of related transactions) of more than 30% of all issued Holdco Ordinary Shares by a Holdco Shareholder(s) to a bona fide third party, the selling Holdco Shareholder(s) shall have the right but not the obligation to require all of the other Holdco Shareholders to transfer to the bona fide third party such portion of their Holdco Ordinary Shares that is equal to the proportion that the number of Holdco Ordinary Shares intended for transfer bear to such selling Holdco Shareholder(s)' aggregate holding of Holdco Ordinary Shares. In the event of a sale (through a single transaction or a series of related

transactions) of any Holdco Ordinary Shares by a Holdco Shareholder(s) to a bona fide third party, each of the Holdco Shareholders other than the Selling Holdco Shareholder shall have the right but not the obligation to sell such proportion of its Holdco Ordinary Shares that is equal to the same proportion as the Holdco Ordinary Shares intended for transfer bear to the selling Holdco Shareholder(s)' aggregate holding of Holdco Ordinary Shares at that time and on terms and conditions no less favourable than those offered by the bona fide third party to the selling Holdco Shareholder(s).

If, in one or a series of related transactions, a person who directly or indirectly controls a Holdco Shareholder transfers shares or other interests in a company or entity to a transferee which results in a change of control of such Holdco Shareholder, such Holdco Shareholder shall notify the other Holdco Shareholders at the time and such other Holdco Shareholders may require the transferee to purchase all the Holdco Shares held by the other Holdco Shareholders. If the transferee fails to purchase the Holdco Shares put forward for sale by the other Holdco Shareholders, the obligation to buy such Holdco Shares shall rest on the Holdco Shareholder which is affected by the change of control.

In the event a Holdco Shareholder holds both Holdco Ordinary Shares and Holdco Preference Shares, such Holdco Shareholder's Holdco Ordinary Shares may only be transferred if (and no transfer will be permitted unless) there is also a transfer of a proportionate number of such Holdco Shareholder's Holdco Preference Shares (and vice versa) so that the ratio of that Holdco Shareholder's Holdco Ordinary Shares to Holdco Preference Shares remains unchanged after the transfer. Notwithstanding the foregoing, the restrictions in this paragraph shall not apply to any transfer of shares by Equityco (for so long as it is a Holdco Shareholder) to or for the benefit of the management of Holdco pursuant to any management incentive plan, share option scheme or other similar incentive scheme of Holdco.

Save for the above and other limited exceptions, no Holdco Shares may be transferred, assigned or disposed of by any Holdco Shareholder from the Completion Date until the earlier of (a) the date on which the Investment Funds cease to directly or indirectly hold 16% or more of the Holdco Ordinary Shares or (b) the date which is five years after the completion of the withdrawal of listing of the Company from the Stock Exchange after the Effective Date.



The Directors  
Asia Memorial Group Limited  
94 Solaris Avenue  
Camana Bay  
P.O. Box 1348  
Grand Cayman KY1-1108  
Cayman Islands

**J.P.Morgan**

5 September 2016

**PROPOSED PRIVATISATION OF NIRVANA ASIA LTD  
BY ASIA MEMORIAL GROUP LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
ESTIMATES OF VALUE OF HOLDCO SHARES  
(UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS)  
AND THE PROPOSED CASH OFFER TO CANCEL  
ALL OUTSTANDING OPTIONS**

Dear Sirs,

We refer to the document of even date jointly issued by Asia Memorial Group Limited and Nirvana Asia Ltd. (the “**Scheme Document**”) of which this letter forms part. Capitalised terms used in this letter will, unless otherwise stated, have the same meaning as defined in the Scheme Document.

Pursuant to the requirements of the Takeovers Code, you have requested us to provide you with an estimate of value of the Holdco Ordinary Shares and the Holdco Preference Shares (the “**Estimates of Value**”). Under the Proposal, Scheme Shareholders may elect to receive: (i) cash of HK\$3.00 for every Scheme Share; or (ii) 2.100076 Holdco Preference Share(s) and 0.031501 Holdco Ordinary Share(s), plus cash of HK\$1.37 for every Scheme Share. The Holdco Shares are unlisted and therefore do not have a publicly traded price.

**PURPOSE**

The Estimates of Value have been provided to the directors of Holdco solely for the purposes of Paragraph 30 of Schedule I of the Takeovers Code, and shall not be used or relied upon for any other purpose whatsoever, and are not made on behalf of, and shall not confer rights or remedies upon, any third party. The Estimates of Value represent an estimated value of each Holdco Ordinary Share and each Holdco Preference Share based on certain assumptions and do not, therefore, purport to represent the actual value of the Holdco Shares. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond that customarily employed by valuers. The contents of this letter may not be used or relied upon by any third party for any purpose whatsoever and J.P. Morgan expressly disclaims any duty or liability to any third party with respect to the contents of this letter. This letter may not be quoted or referred to, in whole or in part, nor may any other public reference to J.P. Morgan be made, without our prior written consent.

This letter sets out a determination of an estimate of value of each Holdco Ordinary Share and each Holdco Preference Share assuming such shares are in issue (and the Proposal is effected) as at the Latest Practicable Date.

The Estimates of Value do not represent the value that a holder of a Holdco Ordinary Share or a Holdco Preference Share may realise on any future sale. The Estimates of Value are necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the Latest Practicable Date. It should be understood that subsequent developments may affect the Estimates of Value expressed herein. J.P. Morgan assumes no obligation to update, revise or reaffirm the Estimates of Value based upon circumstances or events occurring after the Latest Practicable Date.

Additionally, the Estimates of Value are based on the announced value of HK\$3.00 per Share under the Cash Alternative on which J.P. Morgan expresses no opinion or representation. In providing the Estimates of Value, J.P. Morgan expresses no opinion or recommendation to any person as to whether they should accept the Proposal or whether they should make any election to choose the Cash Alternative or the Holdco Shares Alternative. Further, J.P. Morgan expresses no opinion as to the fairness of the financial terms of the Proposal or the Rule 13 Offer, nor does J.P. Morgan express any opinion as to the underlying decision by Holdco to engage in the Proposal or the Rule 13 Offer.

The valuation of non-publicly traded securities is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. Consequently, the views expressed in this letter are not necessarily indicative of: (i) the price at which the Holdco Shares might actually trade in any public market as at the Latest Practicable Date or at any future date; or (ii) the amount which might be realised upon a sale of a Holdco Share to a third party. The Estimates of Value may differ substantially from estimates available from other sources. In addition, our view would be expected to fluctuate with changes in prevailing economic, market and other conditions, the financial conditions and prospects of Holdco and other factors which generally influence the valuation of companies and securities. As a result, there can be no assurance that the actual price of a Holdco Share will not be higher or lower than the Estimates of Value.

## **ASSUMPTIONS**

For the purposes of our analysis, we have made the following major assumptions:

- i. there exists a willing buyer and seller, neither being under any compulsion to buy or sell, dealing on an arm's length basis, each having knowledge of all relevant facts;
- ii. as at the Latest Practicable Date, the Proposal has become effective and that the Company is an indirect wholly-owned subsidiary of Holdco;
- iii. the Holdco Shares have been issued pursuant to the terms of the Proposal. The Holdco Ordinary Shares have been issued and credited as fully paid up shares and rank *pari passu* with the existing Holdco Ordinary Share(s). The Holdco Preference Shares have been issued and credited as fully paid up shares and rank ahead of the Holdco Ordinary Shares in respect of any dividends or other distributions declared;
- iv. the Holdco Group was established for the sole purpose of the Proposal and as such, we have assumed that at the time the Proposal is assumed to have become effective, Holdco Group's turnover, profits, assets and liabilities on a consolidated basis will be the same as the Company, save for the external debt financing incurred by Holdco Group for the implementation of the Proposal, any costs and expenses incurred in connection with the Proposal and any cash balance that may remain in Holdco Group that was not required to finance the amount payable in cash to Scheme Shareholders under the Proposal;

- v. we have assumed no dividends or other distributions are paid or payable by Holdco Group including any dividends that are or have been declared in respect of the Holdco Preference Shares;
- vi. Holdco Group and the Company are assumed to exist on a continuing basis and the valuation is assumed on this basis and not assuming any sale of shares of Holdco Group or the Company at any future date;
- vii. an exchange rate of HK\$7.75 to US\$1.00;
- viii. Holdco Shares are unlisted and are valued on this basis. It is not possible to give a precise measure of the discount to reflect the lack of marketability of unlisted securities, but for the purpose of calculating our range of Estimates of Value we have assumed a range of discounts of 0-30% to an equivalent listed security to reflect the lack of marketability. Whilst no methodological analysis can be undertaken for the purposes of estimating such a discount, based on our experience we believe that a 0-30% discount range is an appropriate assumption to use for this purpose. The discount range of 0-30% has been based on, amongst other assumptions, the following: (i) all other things being equal, publicly-tradeable securities are of higher value than non-publicly-tradeable securities due to investor's preference over marketability, therefore a discount rather than a premium is applied in our calculations; (ii) such discount range is purely for the lack of marketability. Other factors which might impact the valuation, including (but not limited to) different shareholder rights for holders of Holdco Ordinary Shares, holders of Holdco Preference Shares and holders of the Shares of the Company or the capital structure of the Holdco, have not been analysed or quantified for the purposes of the Estimates of Value; and
- ix. we have relied on and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of the information which was furnished or made available to us or otherwise reviewed by us for the purposes of the Estimates of Value. We have not conducted any independent valuation or appraisal of the assets and liabilities of the Company, nor have we sought or been provided with any such valuation of appraisal. We have not evaluated the solvency of the Company under any applicable laws relating to bankruptcy, insolvency or similar matters, and, in addition, we have assumed that the Group will continue to trade in the ordinary course as a going concern.

## **METHODOLOGY**

We have separately considered both the estimated value of Holdco Ordinary Shares and Holdco Preference Shares given the different economic rights of each class of share. In our Estimates of Value, we derive ranges of value for both Holdco Ordinary Shares and Holdco Preference Shares which reflect the estimated value of such shares hypothetically assuming that they had been listed at the top end of the range, and including an estimated discount of 30% at the bottom end of the range to reflect the lack of marketability of each of the Holdco Preference Shares and Holdco Ordinary Shares. J.P. Morgan has valued the Holdco Shares based on (a) the value of the Shares (including the Options) which Holdco will own indirectly, (b) the external debt financing to be incurred by Holdco Group and (c) any excess cash that may remain at Holdco Group following the implementation of the Proposal. Following the implementation of the Proposal, Holdco Group will not own any other assets or any other liabilities

except for the Shares, the external debt financing for the implementation of the Proposal and any excess cash that may remain at Holdco and as such the value of the Holdco Shares will be equivalent to (a) – (b) + (c).

There is no guarantee of payment of dividends, and as such we have assumed that there is no payment of dividends with respect to the Holdco Preference Shares. On the basis of this, it is not possible to derive a fundamental valuation of the Holdco Preference Shares. For the sake of the calculation, we have used in our analysis a value of HK\$0.7750 per Holdco Preference Share at the top end of the range, which is equivalent to the price at which each Holdco Preference Share has been issued to Equityco. As stated above, to reflect the lack of marketability, we have assumed a 30% discount to this value to derive the lower end of the range for the estimate of value for each Holdco Preference Share.

As stated above, the estimated value of the total of both Holdco Ordinary Shares and Holdco Preference Shares is equal to the total estimated value of the Shares (including Options), less the external debt financing for the implementation of the Proposal and including any cash balance that may remain in Holdco Group, prior to any transaction expenses incurred by Holdco. As such, at the top end of our range, the total value of the Holdco Ordinary Shares is assumed to be calculated as:

$$(a) - (b) + (c) - (d)$$

where (a), (b), (c) and (d) are defined as follows:

- (a): the estimated value of all of the outstanding Shares (including Options, assuming a “see-through” value);
- (b): the external debt financing to be incurred by Holdco Group for the implementation of the Proposal;
- (c): any cash that may remain in Holdco Group; and
- (d): the total value of all of the Holdco Preference Shares.

In deriving a value for (a) at the top end of the range, we have used a value of HK\$3.00 per Share which is equivalent to the value per Share under the Cash Alternative and a value of HK\$1.475 which is equivalent to the “see-through” value per Option under the offer to the Optionholders (calculated as the difference between the Cash Alternative value of HK\$3.00 and the exercise price of the Option of HK\$1.525). Based on Holdco’s financing structure for implementing the Proposal, the external debt financing put in place amounts to approximately HK\$3,410 million, being the value for (b). It is currently estimated that: (i) where only the Committed Holdco Shares Alternative Shareholders elect the Holdco Shares Alternative and assuming all Optionholders receive the Option Amount in respect of all their Options, the Holdco Group cash on hand would be approximately HK\$201 million; and (ii) where all Scheme Shareholders (except the Committed Cash Alternative Shareholder) elect the Holdco Shares Alternative and assuming all Optionholders receive the Option Amount in respect of all their Options, the Holdco Group cash on hand would be approximately HK\$1,302 million, assuming the full amount of the external debt financing stated above is used to pay the cash considerations and before all fees and expenses of the Holdco Group incurred in connection with the Proposal have been paid. The exact value of the cash on hand is dependent on the level of acceptances of the Holdco Shares Alternative and, as such, this range of values has been used in deriving a value for (c). As stated above, in deriving the value of (d), we have used a value of HK\$0.7750 per share, being the issue price of each Holdco Preference Share.

As stated above, we have derived the lower end of the range for the estimate of value for each Holdco Ordinary Share, by assuming a 30% discount to the value calculated above to reflect the lack of marketability of an unlisted share.

At the top end of the range, we derive our value of Holdco Ordinary Shares as follows:

- (i) assuming only the Committed Holdco Shares Alternative Shareholders elect the Holdco Shares Alternative and assuming all Optionholders receive the Option Amount in respect of all their Options:
  - (a) is equal to approximately HK\$8,164 million which is the estimated value of all of the outstanding shares (calculated by multiplying the value per Share under the Cash Alternative of HK\$3.00 by the number of Shares as at the Latest Practicable Date of approximately 2,699 million) plus “see-through” basis valuation for Options (calculated by multiplying the “see-through” value per Option under the offer to the Optionholders of HK\$1.475 by the number of Options of approximately 45 million);
  - (b) is equal to approximately HK\$3,410 million;
  - (c) is equal to approximately HK\$201 million; and
  - (d) is equal to approximately HK\$4,947 million which is calculated by multiplying the estimated value of each Holdco Preference Share of HK\$0.7750 by the number of Holdco Preference Shares in issue of approximately 6,383 million.

This implies a total value of Holdco Ordinary Shares of approximately HK\$7,749,822. Based on the number of Holdco Ordinary Shares in issue of approximately 100,002,798 shares, assuming only the Committed Holdco Shares Alternative Shareholders elect the Holdco Shares Alternative and assuming all Optionholders receive the Option Amount in respect of all their Options, this implies a value per Holdco Ordinary Share of HK\$0.0775 at the top end of the range.

Assuming a 30% discount for non-marketability of the Holdco Ordinary Shares, this implies a value per Holdco Ordinary Share of HK\$0.0542 at the bottom end of the range.

- (ii) assuming all Scheme Shareholders (except the Committed Cash Alternative Shareholder) elect the Holdco Shares Alternative and assuming all Optionholders receive the Option Amount in respect of all their Options:
  - (a) is equal to approximately HK\$8,164 million which is estimated value of all of the outstanding shares (calculated by multiplying the value per Share under the Cash Alternative of HK\$3.00 by the number of Shares as at the Latest Practicable Date of approximately 2,699 million) plus “see-through” basis valuation for Options (calculated by multiplying the “see-through” value per Option under the offer to the Optionholders of HK\$1.475 by the number of Options of approximately 45 million);
  - (b) is equal to approximately HK\$3,410 million;
  - (c) is equal to approximately HK\$1,302 million; and
  - (d) is equal to approximately HK\$6,046 million which is calculated by multiplying the estimated value of each Holdco Preference Share of HK\$0.7750 by the number of Holdco Preference Shares in issue of approximately 7,801 million.

This implies a total value of Holdco Ordinary Shares of approximately HK\$9,398,066. Based on the number of Holdco Ordinary Shares in issue of approximately 121,272,457 shares, assuming all Scheme Shareholders (except the Committed Cash Alternative Shareholder) elect the Holdco Shares Alternative and assuming all Optionholders receive the Option Amount in respect of all their Options, this implies a value per Holdco Ordinary Share of HK\$0.0775 at the top end of the range.

Assuming a 30% discount for non-marketability of the Holdco Ordinary Shares, this implies a value per Holdco Ordinary Share of HK\$0.0542 at the bottom end of the range.

Under both scenarios shown above where only the Committed Holdco Shares Alternative Shareholders elect the Holdco Shares Alternative or all Scheme Shareholders (except the Committed Holdco Shares Alternative Shareholders elect the Holdco Shares Alternative and the Committed Cash Alternative Shareholder) elect the Holdco Shares Alternative, Holdco Ordinary Shares and Holdco Preference Shares have an estimated value of HK\$0.0775 and HK\$0.7750 at the top end of the range, respectively, and an estimated value of HK\$0.0542 and HK\$0.5425 at the bottom end of the range, respectively. For all scenarios in between the two shown above, where a proportion of the Scheme Shareholders (except that the Committed Cash Alternative Shareholder elects the Cash Alternative under any scenario) elect either of the Cash Alternative or the Holdco Shares Alternative, the Estimates of Value for each of the Holdco Ordinary Shares and the Holdco Preference Shares remain the same at HK\$0.0775 and HK\$0.7750 at the top end of the range, respectively, and an estimated value of HK\$0.0542 and HK\$0.5425 at the bottom end of the range, respectively.

In determining the Estimates of Value, we have not taken into account, among other things, any financial projections of the Company for the entire current fiscal year (year ending 2016) and beyond. Such projections do not have a material impact on the Estimates of Value. Further, we have not taken into account any potential transaction costs that a holder of Holdco Shares may incur both with regard to the Proposal and in any attempted or actual sale of Holdco Shares. Further, no account has been taken of any potential transaction costs that a holder of Shares (or Options) may incur with regard to approving the Proposal or in connection with the Rule 13 Offer.

## **ESTIMATES OF VALUE**

On the basis of the assumptions and methodology outlined above and subject to the foregoing, the Estimates of Value as at the Latest Practicable Date are as follows:

- (i) a range of between HK\$0.0542 and HK\$0.0775 for each Holdco Ordinary Share; and
- (ii) a range of between HK\$0.5425 and HK\$0.7750 for each Holdco Preference Share based on the issue price of HK\$0.7750 for each Holdco Preference Share.

## **GENERAL**

J.P. Morgan is acting as financial advisor to Holdco in relation to the Proposal and no one else in connection with the Proposal. J.P. Morgan will not be responsible to anyone other than Holdco for providing the protections afforded to clients of J.P. Morgan, or for providing advice to any other person in relation to the Proposal, the contents of the Scheme Document or any other matters referred to in the Scheme Document. Shareholders are urged to read carefully all the information contained in the Scheme Document.



Further, in providing the Estimates of Value, J.P. Morgan expresses no opinion or recommendation to any person as to whether they should accept the Proposal or the Rule 13 Offer or whether they should make any election to choose the Cash Alternative or the Holdco Shares Alternative. Shareholders are recommended to seek their own independent financial advice. Further, J.P. Morgan expresses no opinion as to the fairness of the financial terms of the Proposal or the Rule 13 Offer.

Yours faithfully,  
For and on behalf of  
**J.P. Morgan Securities (Asia Pacific) Limited**  
**Sanjeev Malkani**  
*Managing Director*



IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 122 OF 2016 (RMJ)

IN THE MATTER OF SECTIONS 15 & 86 OF THE COMPANIES LAW (2013 REVISION) (AS AMENDED)

AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995

AND IN THE MATTER OF NIRVANA ASIA LTD

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**PRELIMINARY**

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(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

<b>“acting in concert”</b>	has the same meaning ascribed to it in the Takeovers Code
<b>“AIF”</b>	Transpacific Ventures Limited, a company incorporated in the Cayman Islands
<b>“Beneficial Owner”</b>	any beneficial owner of the Shares registered in the name of any nominee, trustee, depository or any other authorised custodian or third party
<b>“Bidco”</b>	North Memorial Sdn. Bhd., a company incorporated in Malaysia and an indirect wholly-owned subsidiary of Holdco
<b>“Business Day”</b>	a day on which the Stock Exchange is open for the transaction of business
<b>“Cancellation Consideration”</b>	the cancellation payment per Scheme Share cancelled under the terms of this Scheme of Arrangement, being the Cash Alternative or the Holdco Shares Alternative, by Holdco to the Scheme Shareholders
<b>“Cash Alternative”</b>	the consideration of HK\$3.00 in cash, for every Scheme Share
<b>“Company”</b>	Nirvana Asia Ltd, an exempted company incorporated in the Cayman Islands on 23 September 2010 with limited liability, the Shares of which are currently listed on the Main Board of the Stock Exchange
<b>“Companies Law”</b>	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
<b>“Effective Date”</b>	the date on which this Scheme of Arrangement, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Law, being the date on which a

	copy of the Order of the Grand Court sanctioning this Scheme of Arrangement is delivered to the Registrar of Companies for registration pursuant to Section 86(3) of the Companies Law
<b>“Form of Election”</b>	the form of election to be completed by the holders of Scheme Shares (other than AIF which has undertaken to elect the Cash Alternative only) for the Holdco Shares Alternative
<b>“Founder”</b>	Tan Sri Kong Hon Kong, an executive director of the Company
<b>“Founder’s Group”</b>	Rightitan and the Founder
<b>“Grand Court”</b>	the Grand Court of the Cayman Islands
<b>“HK\$”</b>	Hong Kong dollar(s), the lawful currency of Hong Kong
<b>“Holdco”</b>	Asia Memorial Group Limited, an exempted company incorporated in the Cayman Islands with limited liability (registered no. 312540), whose registered office is at 94 Solaris Avenue, Camana Bay, P.O. Box 1348, Grand Cayman KY1-1108, Cayman Islands
<b>“Holdco Ordinary Share(s)”</b>	ordinary shares of US\$0.01 each in the share capital of Holdco
<b>“Holdco Preference Share(s)”</b>	preference shares of US\$0.01 each in the share capital of Holdco
<b>“Holdco Shares”</b>	Holdco Ordinary Shares and Holdco Preference Shares
<b>“Holdco Shares Alternative”</b>	the allotment and issue of 2.100076 Holdco Preference Share(s) and 0.031501 Holdco Ordinary Share(s) and the consideration of HK\$1.37 in cash, for every Scheme Share
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Independent Board Committee”</b>	the independent committee of the board of directors of the Company established by the board of directors of the Company to make a recommendation to the Scheme Shareholders in respect of, amongst other things, the Proposal, comprising Dato’ Fu Ah Kiow @ Oh (Fu) Soon Guan, Ang Teck Shang, Tse Po Shing Andy, Tan Sri Chan Kong Choy, Ng Soon Lai @ Ng Siek Chuan, Foong Soo Hah and Anita Chew Cheng Im
<b>“Independent Financial Advisor”</b>	the independent financial advisor to the Independent Board Committee appointed pursuant to Rule 2.1 of the Takeovers Code in relation to, amongst other things, the Proposal, being a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>“Latest Practicable Date”</b>	2 September 2016, being the latest practicable date prior to the despatch of the Scheme Document containing this Scheme of Arrangement for ascertaining certain information contained herein

<b>“MIP”</b>	the management incentive plan to be adopted by Holdco following the Effective Date
<b>“Orchid”</b>	OA-Nirvana Investment Limited, a company incorporated in the Cayman Islands
<b>“Proposal”</b>	the privatisation of the Company by Holdco through Bidco by way of this Scheme of Arrangement and the restoration of the share capital of the Company to the amount immediately before the cancellation of the Scheme Shares, on the terms and subject to the conditions set out in this Scheme of Arrangement
<b>“Record Date”</b>	4:30 p.m. on 4 October 2016 or such other time and date as shall have been announced to the Shareholders, being the record date for the purposes of determining the entitlements of the Scheme Shareholders to the Cancellation Consideration upon this Scheme of Arrangement becoming effective
<b>“Register”</b>	the register of members of the Company
<b>“Registrar of Companies”</b>	the registrar of companies appointed under the Companies Law
<b>“Rightitan”</b>	Rightitan Sdn. Bhd., a company incorporated in Malaysia and having its registered office at Level 3A, Wisma Nirvana, No.1, Jalan 1/116A, Off Jalan Sungai Besi, 57100 Kuala Lumpur, Wilayah Persekutuan, Malaysia and ultimately owned by the Founder
<b>“Scheme Document”</b>	the composite scheme document dated 5 September 2016 jointly issued by Holdco and the Company
<b>“Scheme Share(s)”</b>	Share(s) held by the Scheme Shareholders
<b>“Scheme Shareholder(s)”</b>	the Shareholders whose name appear on the Register on the Record Date
<b>“Share(s)”</b>	ordinary share(s) of US\$0.01 each in the share capital of the Company
<b>“Shareholder(s)”</b>	registered holder(s) of Shares
<b>“Shareholder MIP Participants”</b>	the proposed participants of the MIP who are Shareholders as at the Latest Practicable Date
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Takeovers Code”</b>	the Hong Kong Code on Takeovers and Mergers
<b>“US\$”</b>	United States dollar(s), the lawful currency of the United States of America

- (B) The Company was incorporated as an exempted company on 23 September 2010 with limited liability in the Cayman Islands under the Companies Law.
- (C) The authorised share capital of the Company as at the Latest Practicable Date was US\$40,000,000 divided into 4,000,000,000 Shares of par value US\$0.01.
- (D) Holdco, through its indirect wholly-owned subsidiary, Bidco, has proposed the privatisation of the Company by way of this Scheme of Arrangement.
- (E) The primary purpose of this Scheme of Arrangement is to privatise the Company by cancelling and extinguishing all of the Scheme Shares in consideration for the Cancellation Consideration so that thereafter, Holdco, through Bidco, will indirectly own 100% of issued share capital of the Company. Simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be restored to its former amount by the issue to Bidco at par credited as fully paid such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished at the Effective Date.
- (F) Pursuant to the Takeovers Code, Holdco and the Founder's Group are presumed to be parties acting in concert. The Founder's Group holds approximately 42.69% of the entire issued share capital of the Company as at the Latest Practicable Date. Accordingly, parties acting in concert with Bidco hold an aggregate of approximately 42.69% of the entire issued share capital of the Company as at the Latest Practicable Date.
- (G) Holdco and Bidco have agreed to appear by Counsels at the hearing of the petition to sanction this Scheme of Arrangement and to undertake to the Grand Court (whether at the hearing or before-hand) to be bound by this Scheme of Arrangement and will execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to this Scheme of Arrangement.
- (H) The parties acting in concert with Bidco and Shareholder MIP Participants held as at the Latest Practicable Date 1,152,347,563 Scheme Shares and 109,000 Scheme Shares in aggregate respectively. In accordance with the Takeovers Code, votes of parties holding those Scheme Shares will not be counted for the purpose of satisfying the additional requirements under Rule 2.10 of the Takeovers Code.

## **SCHEME OF ARRANGEMENT**

### **PART I**

#### **Cancellation of Scheme Shares and issue of new Shares credited as fully paid at par to Bidco**

1. On the Effective Date:
  - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares and the Scheme Shareholders shall cease to have any right with respect to the Scheme Shares except the right to receive the Cancellation Consideration; and
  - (b) subject to and forthwith upon such reduction of capital taking effect, the share capital of the Company will be increased to its former amount by issuing to Bidco the same number of Shares as the number of Scheme Shares cancelled and extinguished; and

- (c) the Company shall apply the credit arising in its books of account as a result of the capital reduction referred to in paragraph 1(a) above in paying up in full at par the new Shares issued to Bidco pursuant to paragraph 1(b) above, credited as fully paid.

## **PART II**

### **Consideration for the cancellation and extinguishment of the Scheme Shares**

2. In consideration of the cancellation and extinguishment of the Scheme Shares, Holdco shall pay (or procure that there shall be paid) to each person who is a Scheme Shareholder (as appears in the Register on the Record Date) the Cancellation Consideration. Scheme Shareholders (other than AIF which has undertaken to elect the Cash Alternative only and Rightitan and Orchid which have each undertaken to elect the Holdco Shares Alternative only) are entitled to, at their election, either the Cash Alternative or the Holdco Shares Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two, save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners). Scheme Shareholders who wish to receive the Holdco Shares Alternative may make an election for the Holdco Shares Alternative. Scheme Shareholders who do not make any election, or fail to make a valid election, for the Holdco Shares Alternative will receive the Cash Alternative.

## **PART III**

### **Election Form**

3. (a) The election for the Holdco Shares Alternative referred to in Part II above may be made by the Scheme Shareholders (other than AIF which has undertaken to elect the Cash Alternative only) in respect of their entire holdings of Scheme Shares (save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners), and such election shall be made by properly completing and signing the Form of Election in accordance with the instructions appearing thereon (and, in the case of joint holders, signed by all the joint holders to which it relates, and in the case of a holder or a joint holder which is a corporation, signed by one of its directors or a duly authorised signatory), which shall be lodged so as to be received by the branch share registrar of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 5 October 2016 or such later date as shall have been announced to the Shareholders. No such election shall be valid unless the Form of Election is properly completed in all respects. A Form of Election so completed and delivered shall not be capable of amendment.
- (b) A Form of Election shall be irrevocable and incapable of being withdrawn unless the Company expressly consents in writing to such withdrawal or revocation.
- (c) The Company shall have the right to reject any or all of the Forms of Election that it determines are invalid or in improper form. In addition, the Company shall also have the right to treat any Form of Election that has been completed incorrectly, as being valid,

provided that the Company in its absolute discretion considers the omissions or errors to be immaterial. The Company shall not be obliged to give notice of any such defects or irregularities and will not incur any liability for failure to give any such notice.

#### **PART IV**

#### **GENERAL**

4. (a) Not later than five (5) Business Days after the Effective Date, the Company shall issue a share certificate to Bidco.
- (b) Not later than seven (7) Business Days after the Effective Date, Holdco shall send or cause to be sent cheques representing the sums payable to the Scheme Shareholders and certificates representing Holdco Shares allotted and issued to the Scheme Shareholders pursuant to Clause 2 of this Scheme of Arrangement.
- (c) Unless otherwise indicated in writing to the Hong Kong branch share registrar of the Company, being Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, all cheques and certificates for Holdco Shares to be dispatched to Scheme Shareholders shall be sent by ordinary post in pre-paid envelopes addressed to Scheme Shareholders at their respective addresses as appearing in the Register at the Record Date or, in the case of joint holders, at the address appearing in the Register at the Record Date of the joint holder whose name then stands first in the Register in respect of the relevant joint holding.
- (d) Cheques and certificates for Holdco Shares shall be posted at the risk of the addressees and neither Holdco nor the Company shall be responsible for any loss or delay in receipt.
- (e) Cheques shall be in favour of the person to whom, in accordance with the provisions of this Clause 4, the envelope containing the same is addressed and the encashment of any such cheques shall be a good discharge to Holdco for the monies represented thereby.
- (f) On or after the day being six calendar months after the posting of the cheques pursuant to this Clause 4, Holdco shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in name of Holdco (or any of its subsidiaries) with a licensed bank in Hong Kong selected by Holdco. Holdco shall hold such monies on trust for those entitled under the terms of this Scheme of Arrangement until the expiration of six years from the Effective Date and shall prior to such date pay out of such monies the sums payable pursuant to Clause 2 of this Scheme of Arrangement, together with interest thereon, to persons who satisfy Holdco that they are entitled thereto. Holdco shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of Holdco to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (g) On the expiration of six years from the Effective Date, Holdco shall be released from any further obligation to make any payments under this Scheme of Arrangement.

- (h) Paragraph (g) of this Clause 4 shall take effect subject to any prohibition or condition imposed by law.
  - (i) Upon cancellation of the Scheme Shares, the Register shall be updated to reflect such cancellation.
- 5. As from the Effective Date, any instruments of transfer relating to and all certificates representing, the Scheme Shares shall cease to be valid for any purpose as an instrument of transfer or a certificate for such shares and every Scheme Shareholder shall be bound on the request of the Company to deliver up to the Company the certificates relating to the Scheme Shares for cancellation.
- 6. All mandates or relevant instructions to or by the Company in force at the Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
- 7. This Scheme of Arrangement shall become effective as soon as a copy of the Order of the Grand Court sanctioning this Scheme of Arrangement has been delivered to the Registrar of Companies for registration pursuant to Section 86(3) of the Companies Law.
- 8. Unless this Scheme of Arrangement shall have become effective on or before 4 January 2017 or such later date, if any, as Holdco and the Company may agree and the Grand Court may allow, this Scheme of Arrangement shall lapse and be of no effect.
- 9. The Company and Holdco may jointly consent for and on behalf of all concerned to any modification of or addition to this Scheme of Arrangement or to any condition which the Grand Court may think fit to approve or impose.
- 10. All costs relating to (a) the preparation of the Announcement (as defined in the Scheme Document), the Scheme Document and the Implementation Agreement (as defined in the Scheme Document) and (b) any rulings sought and any vetting fees payable to the Securities and Futures Commission of Hong Kong for the clearance of the Scheme Document shall be for the account of Holdco. All costs of the Independent Financial Advisor to the Company shall be for the account of the Company.

Date 5 September 2016



IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 122 OF 2016 (RMJ)

IN THE MATTER OF SECTIONS 15 & 86 OF THE COMPANIES LAW (2013 REVISION) (AS  
AMENDED)

AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995

AND IN THE MATTER OF NIRVANA ASIA LTD

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NOTICE OF COURT MEETING

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**NOTICE IS HEREBY GIVEN** that, by an order dated 1 September 2016 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of registered holders of ordinary shares of US\$0.01 each in the share capital of Nirvana Asia Ltd (the “**Company**”) (the “**Scheme Shareholders**”) for the purpose of considering and, if thought fit, approving, with or without modification(s), a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made between the Company and the Scheme Shareholders and that the Court Meeting will be held at Park Lane Room 2-4, 27/F, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 28 September 2016 at 9:00 a.m. (Hong Kong time) at which place and time all Scheme Shareholders are invited to attend.

A copy of the Scheme of Arrangement and a copy of an explanatory memorandum explaining the effect of the Scheme of Arrangement are incorporated in the composite scheme document of which this Notice forms part. A copy of the composite scheme document can also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

**Voting Procedures**

Voting will be by way of poll. Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual) as their proxy, whether a member of the Company or not, to attend and vote on their behalf. A **pink** form of proxy for use at the Court Meeting is enclosed with the composite scheme document dated 5 September 2016 dispatched to members of the Company on 5 September 2016. Completion and return of the proxy form will not prevent a Scheme Shareholder from attending and voting at the Court Meeting, or any adjournment thereof, in person if he/she wishes to do so. In that event, the form of proxy will be deemed to have been revoked.

In the case of joint holders of a share, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

It is requested that forms appointing proxies be deposited at the Hong Kong branch share registrar of the Company in Hong Kong at Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 9:00 a.m. on Monday, 26 September 2016, but if forms are not so lodged they may be handed to the chairman of the Court Meeting before the taking of the poll, who has absolute discretion as to whether or not to accept them, at the Court Meeting pursuant to the Order.

### **Chairman**

By the Order, the Court has appointed Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan, a director of the Company, or failing him, Ng Soon Lai @ Ng Siek Chuan, also a director of the Company, or failing him, any other person who is a director of the Company as at the date of the Order, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

The Scheme of Arrangement will be subject to a subsequent application seeking the sanction of the Court.

By order of the Court  
**Nirvana Asia Ltd**

Dated 5 September 2016

### *Registered office*

4<sup>th</sup> Floor, Harbour Place  
103 South Church Street  
George Town, P.O. Box 10240  
Grand Cayman KY1-1002  
Cayman Islands

### *Principal Place of Business in Hong Kong*

36<sup>th</sup> Floor, Tower Two  
Times Square, 1 Matheson Street  
Causeway Bay  
Hong Kong

*As at the date of this notice, the board of directors of the Company comprises Tan Sri Kong Hon Kong, Kong Yew Foong, Soo Wei Chian and Kong Yew Lian as executive directors; Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan, Li Gabriel, Ang Teck Shang and Tse Po Shing Andy as non-executive directors and the alternate director to Tse Po Shing Andy is Barnes II, William Wesley; and Tan Sri Chan Kong Choy, Ng Soon Lai @ Ng Siek Chuan, Foong Soo Hah and Anita Chew Cheng Im as independent non-executive directors.*



*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1438)**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Nirvana Asia Ltd (the “**Company**”) will be held at Park Lane Room 2-4, 27/F, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 28 September 2016 at 9:30 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the meeting of holders of ordinary shares of US\$0.01 each in the share capital of the Company, convened at the direction of the Grand Court of the Cayman Islands for the same day and place), for the purpose of considering and, if thought fit, passing the following as a special resolution and (with or without modification(s)) as ordinary resolutions, respectively:

#### **SPECIAL RESOLUTION**

1. **THAT:**

- (a) pursuant to the scheme of arrangement dated 5 September 2016 (the “**Scheme of Arrangement**”) between the Company and Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and
- (b) the directors of the Company be and are hereby authorised to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of capital pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of capital which the Grand Court of the Cayman Islands may see fit to impose.

#### **ORDINARY RESOLUTIONS**

2. **THAT:**

- (a) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the issued share capital of the Company be restored to its former amount by allotting and issuing to Bidco (as defined in the Scheme of Arrangement), credited as fully paid at par, the same number of ordinary shares of US\$0.01 each in the share capital of the Company as the number of Scheme Shares cancelled and extinguished;

- (b) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied in paying up in full at par the shares allotted and issued to Bidco, pursuant to resolution 2(a) above;
- (c) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him/her to be necessary or desirable in connection with the implementation of the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme of Arrangement, which the Grand Court of the Cayman Islands may see fit to impose; and
- (d) any one of the directors of the Company be and is hereby authorised to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the shares of the Company.

3. THAT:

subject to the Scheme of Arrangement becoming effective, each of the ESR Scheme and the SASR Scheme (each as defined in the composite scheme document of the Company dated 5 September 2016 (the “**Scheme Document**”)) be terminated on the Effective Date.

4. THAT:

subject to the Scheme of Arrangement becoming effective, the management incentive plan to be adopted by Holdco (as defined in the Scheme of Arrangement) on the terms set out under the section headed “19. Management Incentive Plan—Terms of the MIP” in the Scheme Document, a copy of which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, and the transactions contemplated under it, be and is hereby approved.

By Order of the Board  
**Nirvana Asia Ltd**  
**Dato’ Fu Ah Kiow @ Oh (Fu) Soon Guan**  
*Chairman*

Hong Kong, 5 September 2016

*Registered Office*

4<sup>th</sup> Floor, Harbour Place  
103 South Church Street  
George Town, P.O. Box 10240  
Grand Cayman KY1-1002  
Cayman Islands

*Principal Place of Business in Hong Kong*

36<sup>th</sup> Floor, Tower Two  
Times Square, 1 Matheson Street  
Causeway Bay  
Hong Kong

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*Notes:*

- (a) Any member entitled to attend and vote at the meeting (or any adjournment thereof) is entitled to appoint another person as a proxy (who must be individuals) to attend and, on a poll, vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy. A proxy need not be a member of the Company. A proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same power on behalf of the member which he or they represent(s) as such member could exercise.
- (b) In the case of joint registered holders of any share of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share of the Company as if he/she was solely entitled thereto; if more than one of such joint registered holders be present, personally or by proxy, one of the persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint registered holders stand on the register of members of the Company.
- (c) A form of proxy for use at the meeting is enclosed with the Scheme Document.
- (d) In order to be valid, the proxy form must be completed and deposited at the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. In the event that a member of the Company attends the meeting after having lodged his form of proxy, the form of proxy will be deemed to have been revoked.
- (e) The special and ordinary resolutions as set out above will be determined by way of a poll.
- (f) At the date of this notice, the executive directors of the Company are Tan Sri Kong Hon Kong, Kong Yew Foong, Soo Wei Chian and Kong Yew Lian, the non-executive directors of the Company are Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan, Li Gabriel, Ang Teck Shang and Tse Po Shing Andy, the alternate director to Tse Po Shing Andy is Barnes II, William Wesley and the independent non-executive directors of the Company are Tan Sri Chan Kong Choy, Ng Soon Lai @ Ng Siek Chuan, Foong Soo Hah and Anita Chew Cheng Im.
- (g) For the purpose of determining entitlement of members to attend and vote at the extraordinary general meeting (or any adjournment thereof), the register of members of the Company will be closed from Monday, 26 September 2016 to Wednesday, 28 September 2016, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 23 September 2016.
- (h) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

*The following is a sample of the Rule 13 Offer Letter being sent to the Optionholders in connection with the Rule 13 Offer.*

5 September 2016

*To the Optionholders*

Dear Sir or Madam

**RULE 13 OFFER  
IN RELATION TO  
THE PROPOSED PRIVATISATION OF NIRVANA ASIA LTD  
BY ASIA MEMORIAL GROUP LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES LAW)**

A composite scheme document dated the same date as this letter issued jointly by Asia Memorial Group Limited (“**Holdco**”) and Nirvana Asia Ltd (the “**Company**”) (the “**Scheme Document**”) is enclosed with this letter. Terms used but not defined in this letter shall have the same meanings and construction as in the Scheme Document. This letter should be read in conjunction with the Scheme Document.

Holdco and the Company issued a joint announcement dated 8 July 2016 (the “**Announcement**”) which stated that, among others, on 8 July 2016, Holdco, Equityco and the Company entered into the Implementation Agreement, pursuant to which, the parties have agreed that Holdco will pursue the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law. As stated in the Announcement, as part of the Proposal, Holdco will make (or procure to be made on its behalf) an appropriate offer to the Optionholders in accordance with Rule 13 of the Takeovers Code (“**Rule 13 Offer**”). The Rule 13 Offer will be conditional upon the Scheme becoming effective.

This letter explains the terms of the Rule 13 Offer and the actions you may take in relation to your Options. You are advised to refer to the Scheme Document when considering them.

Your attention is also drawn to the terms and conditions of the documentation under which each of your Options was granted (including the terms of the ESR Scheme and the SASR Scheme, as applicable).

**TERMS OF THE RULE 13 OFFER**

The Rule 13 Offer is conditional on the Scheme becoming effective and its terms are as follows:

Paragraph 19.4 of the by-laws of the ESR Scheme and paragraph 18.4 of the by-laws of the SASR Scheme provide that the relevant scheme may be terminated by the committee of the Company appointed by the Board to administer such scheme at any time before 31 December 2019, being the date of expiry of each such scheme, provided that consent has been obtained from the Shareholders.

At the EGM, an ordinary resolution will be submitted for Shareholders’ vote, conditional upon the Scheme becoming effective, to terminate the ESR Scheme and the SASR Scheme on the Effective Date.

The ESR Scheme and the SASR Scheme will be terminated in accordance with their by-laws and the Options thereunder shall lapse.

Optionholders will be entitled to receive a cash consideration of HK\$1.475 (the “**Option Amount**”) for each Option held and lapsed. The total consideration received by each Optionholder will be rounded to two decimal places.

The Option Amount represents the “see-through” price of the Options, being the amount by which the Cash Alternative under the Scheme exceeds the exercise price of HK\$1.525 of each Option.

The Rule 13 Offer is conditional upon the Scheme becoming effective. The Rule 13 Offer will become unconditional immediately upon the Scheme becoming effective and prior to the Company being de-listed from the Stock Exchange. The Conditions of the Proposal are set out in the paragraph headed “5. Conditions of the Proposal” in the Explanatory Memorandum of the Scheme Document.

Payments in respect of the Option Amount will be made within seven (7) Business Days after the Effective Date by cheques in Hong Kong dollars. You may face delays or obstacles in changing Hong Kong dollars to other currency or cashing such cheques in certain locations or situations.

You are further advised to refer to the sections headed “20. Overseas Shareholders and Overseas Optionholders”, “22. Registration and Payment” and “24. Taxation” in the Explanatory Memorandum of the Scheme Document.

## **COURSES OF ACTION AVAILABLE TO OPTIONHOLDERS**

In summary, the choices available to you in respect of your Options are:

- (a) you may in accordance with the terms of the ESR Scheme and/or the SASR Scheme (as applicable) exercise all or any of your Options (to the extent not already exercised) to its full extent or to the extent specified in your notice of exercise of Options to the Company at any time up to the Latest Option Exercise Date. Any Shares issued as a result of the exercise of such Options as mentioned above will be subject to and eligible to participate in the Scheme. Please refer to the Scheme Document for details of the Proposal and the Scheme in this regard; or
- (b) do nothing, in which case, if the Scheme becomes effective and the ESR Scheme and SASR Scheme are terminated, you will be entitled to receive the Option Amount in respect of each Option held by you as at the Rule 13 Offer Record Date.

Each Option you hold is independent and you should make a separate decision for each one.

For further details, please refer to the remaining sections of this letter, the Scheme Document and the terms of the ESR Scheme and/or the SASR Scheme (as applicable).

Assuming the Rule 13 Offer becomes unconditional on 5 October 2016 (Cayman Islands time), cheques for the Option Amount are expected to be dispatched on or before 17 October 2016.



**OPTIONS HELD AS AT THE LATEST PRACTICABLE DATE**

Information on the Options held by you as at the Latest Practicable Date is available from the company secretary of the Company. If there is any exercise of your Options after the Latest Practicable Date, you will be entitled to receive the Option Amount only in respect of such Options which remain unexercised as at the Rule 13 Offer Record Date.

**LAPSED OPTIONS**

Please note that nothing in this letter or the Scheme Document serves to extend the life of an Option which lapses, will lapse, or has already lapsed, under the terms of the ESR Scheme and/or the SASR Scheme (as applicable) prior to the Rule 13 Offer Record Date. You will not be entitled to receive the Option Amount in respect of an Option which has lapsed in accordance with its terms on or prior to the Rule 13 Offer Record Date.

**RECOMMENDATIONS OF THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISOR**

In the letter from Somerley set out in the Scheme Document, Somerley states that it considers the terms of the Rule 13 Offer to be fair and reasonable.

The Independent Board Committee, having considered the terms of the Rule 13 Offer and having taken into account the advice from Somerley, in particular the factors, reasons and recommendations as set out in the letter from Somerley, considers that the terms of the Rule 13 Offer are fair and reasonable.

Your attention is drawn to the letter from Somerley and the letter from the Independent Board Committee set out in the Scheme Document.

**INDEPENDENT FINANCIAL ADVICE**

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

If you are in any doubt as to any aspect of this letter, the Scheme Document or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional advisor.

**GENERAL**

All communications, notices, cheques, certificates and other documents of any nature to be delivered by or sent to or from Optionholder(s) will be delivered by or sent to or from them, or their designated agents, at their risk, and none of Holdco or the Company accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

The Rule 13 Offer will be governed by and construed in accordance with the laws of Hong Kong.

**RESPONSIBILITY STATEMENTS**

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to Holdco) and confirm, having made

all reasonable enquiries, that to the best of their knowledge, opinions expressed in this letter (other than those expressed by Holdco) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter misleading.

The directors of Holdco and CVC Capital Partners Asia IV Limited jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the Group and the Founder's Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this letter (other than those expressed by the Company, the Group and the Founder's Group) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter (other than that relating to the Group and the Founder's Group) misleading.

Yours faithfully,  
By order of the Board  
**ASIA MEMORIAL GROUP LIMITED**  
**Edward M. Fletcher**  
*Director*