名 家 國 際

FAVA INTERNATIONAL HOLDINGS LIMITED
名家國際控股有限公司*

(Incorporated in Bermuda with limited liability)
Stock Code : 08108

名家

Annual Report 2013

* For identification purpose only

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

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

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

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

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

CONTENTS

EXECUTIVE DIRECTORS

Mr. Li Ge
Mr. Sun, Miguel
Mr. Cheng Wai Keung (appointed on 23 August 2013)
Mr. Zhao Guo Wei (resigned on 26 March 2013)
Mr. Wang He Dong (appointed on 26 March 2013 and resigned on 23 August 2013)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Qing Chen
Mr. Zhang Chun Qiang
Ms. Tan Xiao Yan (appointed on 4 January 2013)
Mr. Yang Dongli (resigned on 4 January 2013)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1005, 10/F., C.C. Wu Building
302-8 Hennessy Road
Wanchai
Hong Kong

AUDIT COMMITTEE

Mr. Liu Qing Chen *(Chairman)*
Mr. Zhang Chun Qiang
Ms. Tan Xiao Yan (appointed on 4 January 2013)
Mr. Yang Dongli (resigned on 4 January 2013)

REMUNERATION COMMITTEE

Mr. Liu Qing Chen *(Chairman)*
Mr. Zhang Chun Qiang
Ms. Tan Xiao Yan (appointed on 4 January 2013)
Mr. Yang Dongli (resigned on 4 January 2013)

NOMINATION COMMITTEE

Mr. Liu Qing Chen *(Chairman)*
Mr. Zhang Chun Qiang
Ms. Tan Xiao Yan (appointed on 4 January 2013)
Mr. Yang Dongli (resigned on 4 January 2013)

COMPLIANCE OFFICER

Mr. Li Ge

AUTHORISED REPRESENTATIVES

Mr. Li Ge
Mr. Chan Yuk Hiu, Taylor

COMPANY SECRETARY

Mr. Chan Yuk Hiu, Taylor, *CPA, FCCA*

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
(with effect from 11 February 2014)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
(with effect from 31 March 2014)

COMPLIANCE ADVISER

TC & Co., Solicitors
Units 2201-2203, 22/F., Tai Tung Building
No. 8, Fleming Road
Wanchai
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

GEM STOCK CODE

08108

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board (the "Board") of the directors (the "Directors") of FAVA International Holdings Limited (the "Company"), I am pleased to report the annual results of the Company together with its subsidiaries (collectively referred to as the "Group") for the fiscal year ended 31 December 2013.

BUSINESS AND FINANCIAL REVIEW

During the year 2013, the Group's reportable business are the funeral business and the household products business (terminated on 31 May 2013).

For the year ended 31 December 2013, the Group's audited total revenue from the provision of funeral services and sale of funeral-related products amounted to approximately HK$67,070,000, and its audited net loss was approximately HK$25,893,000. As most of the funds had been put to sustain the operation of Grand Peace Funeral Parlour in Hung Hom, and the payment of the consideration derived from the disposal of the household products business was delayed, the Group's remaining capital is insufficient to support the preliminary investment in Huidong County Huaqiao Cemetery in the PRC. Thus, the scheduled preliminary investment in Huaqiao Cemetery to be started at the first half of 2013 was postponed to the beginning of 2014. As at the date of this report, the preliminary design of the roads, landscaping and green area of Huaqiao Cemetery has been completed and the relevant construction works have commenced.

The household products business had continuously recorded losses since 2009, the huge operating losses had adverse effects on the Group's overall performance. Therefore, the Group sold subgroup engaged in the household products business by two stages, the disposal of 25% of the subgroup's equity interests was completed on 24 May 2012, and the disposal of the remaining 75% equity interests was completed on 31 May 2013. As at the date hereof, the Group discontinued all of its household products business. During the year 2013, the Group's audited total sales revenue contributed by its household products business (from 1 January 2013 to 31 May 2013) amounted to approximately HK$55,340,000, and its audited net operating loss was approximately HK$2,325,000 (exclude gain on disposal of the household products business).

PROSPECTS

Looking into the future, the Group will continue to be committed to the development of the existing funeral business, taking prudent steps to strengthen its management and operation capability, and actively seek other businesses that are conducive to bringing more robust profits to repay the shareholders for their support.

I would like to thank all the shareholders and the Board for their unswerving support and confidence.

I also express my sincere gratitude to our customers and business partners. I would also like to thank on behalf of the Group in recognition of the dedications by all our employees to make a valuable contribution for the Group.

Li Ge
Chairman and Chief Executive

Hong Kong, 24 March 2014

The board (the "Board") of the directors (the "Directors") of FAVA International Holdings Limited (the "Company") is pleased to report the audited annual results of the Company together with its subsidiaries (collectively referred to as the "Group") for the fiscal year ended 31 December 2013.

BUSINESS AND FINANCIAL REVIEW

The Group's reportable businesses for the year ended 31 December 2013 are the funeral business and the household products business.

The Group's total audited operating revenue for the year 2013 amounted to approximately HK$122,410,000, representing a decrease of 47.55% as compared to the same period last year. This decrease resulted from the discontinuation of its household products business with effect from 1 June 2013. During the year 2013, the audited total loss amounted to approximately HK$33,770,000 after the recognition of HK$31,681,000 special income arising from disposal by the Group of its household products business.

FUNERAL BUSINESS

The Group's audited total revenue for the year 2013 from the provision of funeral-related services and sale of funeral-related products amounted to approximately HK$67,070,000 and recorded an audited gross loss of approximately HK$2,233,000. Because of the high costs in sustaining the operation of the funeral business (in particular the quarterly rental payment of HK$13,950,000 payable to the Food and Environmental Hygiene Department by Grand Peace Funeral Parlour), the total income generated from the funeral business still cannot come in par with the costs in current stage.

As currently most of the Group's current funds had been put to sustain the operation of Grand Peace Funeral Parlour in Hung Hom, along with the late payment for the consideration derived from the household products business, the Group's remaining capital is insufficient to support the preliminary investment in Huidong County Huaqiao Cemetery (including landscaping, the construction of pavements and canals in the cemetery, etc.). Thus, it is expected that the preliminary investment in Huaqiao cemetery will be postponed to the beginning of 2014. As at the date of this report, the preliminary design of the roads, landscaping and green area of Huaqiao Cemetery has been completed and the relevant construction works have commenced.

Just entering into the funeral service industry in the second quarter of year 2012, the Group had not yet fully spread its sales network so that the funeral parlour's facilities had not been fully utilized. As the costs (especially the rental payment to the Food and Environmental Hygiene Department) remained at a high level, the Group's funeral business during the year 2013 recorded an audited net loss of approximately HK$25,893,000.

HOUSEHOLD PRODUCTS BUSINESS

The Group completed the disposal of 25% equity interests of its subgroup engaged in the household products business to an independent third party on 21 May 2012, and completed the disposal of the remaining 75% equity interests to another independent third party on 31 May 2013. As at the date hereof, the Group discontinued all of its household products business.

The Group sold its household products business to avoid continuing losses, so as to reduce its operating costs and risks and to provide additional funds for its daily operation.

During the year 2013, the Group's audited total sales revenue contributed by its household products business (from 1 January 2013 to 31 May 2013) amounted to approximately HK$55,340,000, and its audited net operating loss was approximately HK$2,325,000 (exclude gain on disposal of the household products business).

PROSPECTS

After disposal of the household products business, the Group mainly focuses on its funeral business in Hong Kong and Huidong.

According to its current plan, after acquiring sufficient funds, the Group will input resources in developing Huidong Cemetery if conditions permit, including the landscaping and the construction of pavements and canals in the cemetery. It is expected that Huidong County Huaqiao Cemetery will be put into operation upon the completion of the relevant constructions at the beginning of 2014 and that income will be generated in the middle of 2014.

In respect of the funeral business in Hong Kong, the Group will strengthen personnel training, promotion and advertising investment to increase the utilization ratio of Grand Peace Funeral Parlour.

The Group will also continue to seek and identify other businesses that are conducive to bringing more robust profits, and forming growth points through acquiring and developing different businesses.

On 29 January 2014, Most Fame (China) Limited ("Most Fame"), an indirect wholly-owned subsidiary of the Company, and an independent third party entered into a cooperation agreement in relation to the establishment of a joint venture company in the PRC (the "JV Company"). Upon the incorporation of the JV Company, the JV Company will be principally engaged in the construction, management and operation of a home for the elderly in Huidong County, Huizhou, Guangdong Province, the PRC. Most Fame will own 65% of the share capital of the JV Company. The establishment of the JV Company will enable the JV Parties to develop the business of operation of homes for the elderly in Guangdong Province, which will attract elderly from Hong Kong as residents. We believe that the home for the elderly to be constructed will bring synergistic effect to the cemetery operated by the Company in Huidong County, Huizhou, Guangdong Province, the PRC. The transaction has not completed as at the date of this report.

We believe that the strategy of diversification will increase the value of the owners' equity and spread business risks.

VERY SUBSTANTIAL DISPOSAL

On 4 February 2013, General Asia Holdings Limited ("General Asia"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "SPA") with Future Step Development Limited ("Future Step"), an independent third party, and Ms. Zhang Zongying ("Ms. Zhang") pursuant to which Future Step has agreed to acquire and General Asia has agreed to sell 7,500 ordinary shares of Trader Group International Limited (the "Sale Shares"), a non-wholly-owned subsidiary of General Asia, of US$1.00 each, representing 75% of the entire issued share capital of Trader Group International Limited, for a total consideration of HK$70,000,000. In order to secure Future Step's payment obligations under the SPA, Future Step agreed to enter into a deed of share mortgage ("Share Mortgage") in favour of General Asia on completion. Pursuant to the Share Mortgage, Future Step agreed to mortgage the Sale Shares to General Asia until after all obligations under the SPA on the part of Future Step have been fulfilled by the Purchaser. Pursuant to the terms of the SPA, the consideration should be fully settled on or before 23 December 2013.

The transaction constitutes a very substantial disposal for the Company under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

The transaction has been approved by shareholders of the Company at the special general meeting of the Company held on 27 May 2013. The transaction was completed on 31 May 2013.

As Future Step and Ms. Zhang are facing financial difficulties, after consultations, on 27 August 2013, General Asia, Future Step and Ms. Zhang entered into a supplemental agreement to reschedule the timetable of the consideration settlement. Pursuant to the supplemental agreement, the timetable of the consideration settlement was revised as follows:

1. HK$21 million will be paid on or before 31 December 2013;
2. HK$21 million will be paid on or before 31 March 2014; and
3. The balance of HK$28 million will be paid on or before 30 June 2014.

As at the date of this report, Future Step has already paid RMB3 million (approximately HK$3,792,100). On the premise that all the parties to the SPA are willing to perform their responsibilities under the SPA, the Group is working with Future Step and Ms. Zhang to make further modification to the timetable of the consideration settlement.

Details of the transaction were set out in the Company's announcements dated 6 March 2013, 27 May 2013, 31 May 2013 respectively, the circular dated 8 May 2013 and the third quarterly report dated 25 October 2013.

MATERIAL ACQUISITION

On 15 December 2011, a direct wholly-owned subsidiary of the Company, EMAX Venture Limited ("EMAX") entered into a sale and purchase agreement with Mr. Lau Chi Yan, Pierre ("Mr. Lau") pursuant to which EMAX conditionally agreed to acquire and Mr. Lau conditionally agreed to sell the entire issued share capital of Profit Value Group Limited ("Profit Value") and the entire amount of shareholder's loan owning by Profit Value to Mr. Lau as at the date of completion of the transaction at a consideration of HK$80 million in cash.

The principal asset of Profit Value is its holding of, through The Shrine of Nansha Limited,100% equity interest in the Ming De Tang Trading (Shenzhen) Limited Company* (明德堂貿易（深圳）有限公司) ("Ming De Tang"), which is the sole subcontractor of Huidong County Huaqiao Cemetery Management Company* (惠東縣華僑墓園管理公司) (the "PRC Cemetery Company") and is responsible for the provision of all funeral-related services and products and assistance necessary for the operation of the Huidong County Huaqiao Cemetery* (惠東縣華僑墓園) under the subcontracting agreement dated 15 December 2011 entered into between Ming De Tang and the PRC Cemetery Company.

The transaction has been approved by shareholders of the Company at the special general meeting of the Company held on 12 March 2012. The transaction was completed on 10 April 2012.

On 29 May 2012, EMAX and Mr. Lau entered into a supplemental agreement, pursuant to which the parties agreed that the Consideration should be paid in cash by installments before 9 March 2013 for a discount to the Consideration, which is agreed to be HK$72,000,000 (the "Discounted Consideration"). The parties further agreed that the Discounted Consideration should be paid in Hong Kong or in the PRC; The payment date, amount and payee of each installments (i.e. Mr. Lau or its nominee) should be negotiated by the Parties from time to time. In the event that a nominee of Mr. Lau shall be the payee for any of the installments, Mr. Lau should give a written notice to EMAX for the same immediately and EMAX should pay within 5 business days upon receipt of such notice.

Discounted Consideration has already been fully settled in the year ended 31 December 2013.

For details, please refer to the announcements of the Company dated 15 December 2011, 10 January 2012, 20 January 2012, 12 March 2012 and 29 May 2012 respectively and the circular dated 24 February 2012.

ISSUE OF CONVERTIBLE NOTES

On 3 September 2012, the Company and Sun Finance Company Limited ("Sun Finance") entered into a subscription agreement in respect of the issue of convertible notes ("Convertible Notes") in the principal amount of HK$35,000,000. The Convertible Notes carries an interest of 42% per annum payable in arrears monthly, the conversion price is initially HK$0.10 per share, subject to adjustment for subdivision or consolidation of shares of the Company. The Convertible Notes will mature on the date falling on four months from the date of issue (i.e. 6 September 2012) or, subject to the agreement between the noteholder(s) and the Company, extended to the date falling eight months from the date of issue, the noteholder(s) shall have the right to convert the whole or part of the principal amount of the Convertible Notes into the ordinary shares of the Company on the date falling three (3) business days prior to the maturity date at the then prevailing conversion price. Neither the Company nor Sun Finance shall have any right to redeem any portion of the outstanding Convertible Notes prior to its maturity.

The net proceeds from the Convertible Notes of approximately HK$34,500,000 have been used (i) as to approximately HK$20,000,000 for repayment of loan; and (ii) as to approximately HK$14,500,000 for the general working capital of the Group.

The new share(s) which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes, at the then effective conversion price, will be issued under the general mandate to allot, issue and deal with shares granted to the Directors at the annual general meeting of the Company held on 7 May 2012.

On 6 May 2013, the Company and Sun Finance entered into a supplemental agreement, pursuant to which the Company and Sun Finance agreed to, among other things, amend and supplement the terms of the Convertible Notes.

The amendments to terms and conditions of the Convertible Notes contemplated under the supplemental agreement are summarized as follows:

1. the maturity date of the Convertible Notes is extended from the existing maturity date of 5 May 2013 to the date falling eleven months from the date of issue of the Convertible Notes; or subject to the further agreement(s) between the Noteholder and the Company, on the date falling fourteen months from the date of issue of the Convertible Notes, i.e. 5 November 2013; and

2. the Company shall have the right to redeem the whole or part of the outstanding principal amount of the Convertible Note(s) prior to the maturity date of the Convertible Notes.

Save for the amendments under the supplemental agreement as disclosed above, all other principal terms and conditions under the Convertible Notes remain unchanged.

On 6 May 2013 and 16 August 2013, the Company redeemed HK$7,000,000 and HK$4,470,000 of the Convertible Notes respectively. Upon redemption of the Convertible Notes in the principal amounts of HK$7,000,000 and HK$4,470,000, the total outstanding amount of the Convertible Notes was HK$23,530,000 (the "Outstanding Amount"). The Convertible Notes expired on 5 November 2013, pursuant to a settlement extension agreement entered into between the Company and Sun Finance on 5 November 2013, the payment due date of the Outstanding Amount was extended to 5 December 2013 with the annual interest rate remained at 42% per annum. The Outstanding Amount together with the interest accrued has been fully settled on 5 December 2013.

For details, please refer to the announcements of the Company dated 3 September 2012, 6 May 2013 and 13 May 2013.

PLACING OF CONVERTIBLE BONDS

On 17 October 2012, the Company and Sun Securities Limited (the "Placing Agent") entered into a placing agreement (the "Placing Agreement"), pursuant to which the Placing Agent agreed to procure, on a best efforts basis, independent placees to subscribe in cash for the convertible bonds of ("Convertible Bonds") up to an aggregate principal amount of HK$100,000,000. Assuming the Convertible Bonds are placed in full, the maximum gross proceeds from the placing of the Convertible Bonds is HK$100,000,000 and the maximum net proceeds from the placing of the Convertible Bonds (after deducting related expenses) are estimated to be approximately HK$98.45 million. The net proceeds from the Convertible Bonds will be used (i) as to approximately HK$36.3 million for repayment of existing convertible notes (details are set out in the section headed "Issue of Convertible Notes" above) and interest accrued thereon; and (ii) the remaining amount for the general working capital of the Group and investment in any potential business opportunity, if any.

The transaction was approved by shareholders of the Company at the special general meeting of the Company held on 23 November 2012.

The completion of the Placing took place on 14 May 2013. The Convertible Bonds in an aggregate amount of HK$60 million were actually placed by the Placing Agent and issued to not fewer than six Placees who are independent third parties. The estimated net proceeds from the issue of the Convertible Bonds, after deduction of expenses, are approximately HK$59.2 million. The net proceeds from the Convertible Bonds have been used (i) as to approximately HK$15.6 million for repayment of loan; and (ii) as to approximately HK$43.6 million for the general working capital of the Group.

On 23 May 2013 and 25 June 2013, 297,176,820 and 148,588,410 conversion shares were allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in the principal amounts of HK$20 million and HK$10 million respectively.

On 6 December 2013, the Company redeemed HK$20 million of the Convertible Bonds. Upon redemption of the Convertible Notes in the principal amounts of HK$20 million, the total outstanding amount of the Convertible Bonds was HK$10 million, which were redeemed by the Company on 27 January 2014.

For details, please refer to the announcements of the Company dated 17 October 2012, 23 November 2012, 9 April 2013, 22 April 2013 and 14 May 2013 respectively and the circular dated 8 November 2012.

OPEN OFFER

On 17 September 2013, the Company and Cheong Lee Securities Limited entered into an underwriting agreement in relation to the underwriting arrangements in respect of the open offer (the "Open Offer").

The Open Offer will raise not less than approximately HK$90.96 million but not more than approximately HK$118.21 million before expenses by issuing not less than 909,648,480 offer shares and not more than 1,182,074,572 offer shares to the qualifying shareholders at the subscription price of HK$0.10 per offer share on the basis of 4 offer shares for every 1 share held on 29 October 2013 (later being adjusted as 7 November 2013).

The estimated net proceeds of the Open Offer will be not less than approximately HK$86.66 million and not more than approximately HK$112.95 million. The Company intends to apply the net proceeds from the Open Offer as to up to HK$43.53 million for repayment of the Convertible Notes and Convertible Bonds and the balance for general working capital of the Group's funeral business in Hong Kong and PRC.

The Open Offer has been approved at the special general meeting of the Company held on 31 October 2013.

The Open Offer was over-subscribed by 138,310,959 offer shares. Dealings in the fully-paid offer shares were commenced on the Stock Exchange at 9:00 a.m. on 3 December 2013.

For details, please refer to the announcements of the Company dated 17 September 2013, 3 October 2013, 31 October 2013 and 29 November 2013 respectively, the listing documents dated 8 November 2013 and the circular dated 15 October 2013.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 47 to the financial statements.

FINANCIAL REVIEW

The Group generated approximately HK$122,410,000 in total revenue in 2013, representing a decrease of 47.55% as compared with the year 2012.

The breakdown of the turnover is set out below:

	2013		2012		
	HK$ million	%	HK$ million	%	Change
Provision of funeral services and sales of funeral related products	**67.1**	**54.82%**	39.2	16.79%	71.17%
Manufacturing and sales of household products					
PRC indirect retail sales (discontinued)	**55.3**	**45.18%**	193.9	83.08%	(71.48%)
Export sales (discontinued)	**–**	**–**	0.3	0.13%	N/A
Total	**122.4**	**100%**	233.4	100%	

SIGNIFICANT INVESTMENT

The Group had no significant investment held in the year ended 31 December 2013.

LIQUIDITY AND FINANCIAL RESOURCES

All the Group's funding and treasury activities are basically managed and controlled by the senior management. There was no significant change in respect of treasury and financing policies from the information disclosed in the Group's annual report of 2013.

As at 31 December 2013, cash and bank balances of the Group was approximately HK$3,843,000 (2012: approximately HK$19,258,000), approximately 100% (2012: approximately 12.85%) of the Group's cash was denominated in Hong Kong dollars. The Group's exposure to exchange fluctuation was minimal.

The Group has no bank borrowings throughout the year under review.

As at 31 December 2013, the total borrowings of the Group amounted to approximately HK$17,132,000 (2012: approximately HK$39,056,000), representing (i) liability component of convertible bonds of approximately HK$4,132,000 at the effective interest rate of 14.93% per annum; and (ii) unsecured bonds of HK$13,000,000 at the effective interest rate of 8% per annum.

CAPITAL STRUCTURE

The total number of issued shares of the Company was 1,137,060,600 as at 31 December 2013.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2013, the Group had 57 employees in Hong Kong (as at 31 December 2012: 58 employees in Hong Kong and 1,079 employees in the PRC), who were remunerated in accordance with their performance and market condition. Other benefits available to eligible employees include retirement benefits and medical insurance schemes. Total staff costs for the year 2013 amounted to approximately HK$16,120,000 (2012: approximately HK$25,905,000).

The Group did not experience any significant labour disputes or substantial change in the number of its employees that led to any disruption of normal business operations. The Directors consider the Group's relationship with its employees to be good.

CHARGE ON GROUP'S ASSETS

Save for the pledged bank deposits, the Group did not have any other charge on its assets as at 31 December 2013 (2012: Save for the finance lease contract for the Group's office equipment and pledged bank deposits, the Group did not have any other charge on its assets).

GEARING RATIO

As at 31 December 2013, the Group's gearing ratio was approximately 9.03% representing a percentage of the total borrowings over shareholders' equity (2012: 21.97%), and the net current assets was approximately HK$103,202,000 (2012: approximately HK$125,431,000).

FOREIGN CURRENCY EXPOSURE

As most of the Group's transactions are denominated in Renminbi and Hong Kong dollars, the Directors believe that the Group's exposure to exchange fluctuation was not material and the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

CONTINGENT LIABILITIES

The Group and the Company had no contingent liabilities at 31 December 2013 (2012: Nil).

EXECUTIVE DIRECTORS

Mr. Li Ge, aged 45, was appointed as an executive Director on 31 August 2006. He obtained a diploma in financial accountancy and a diploma in law from Hebei University, after that, he obtained a master of science in engineering from Wuhan Industry University (currently known as Wuhan University of Technology). Past experience includes being the executive director and senior consultant of Lang Fang Huari Furniture Joint Stock Co. Limited. Mr. Li has experience in management of P.R.C. and Hong Kong listed companies, and in the management of production and sales of household products in the P.R.C.. Mr. Li became a member of Chinese Institute of Certified Public Accountants in 1994. Mr. Li has joined our Group since March 2006, he now holds directorship in General Asia Holdings Limited, EMAX Venture Limited, Able Profit (Hong Kong) Limited, Profit Value Group Limited, The Shrine of Nansha Limited and Most Fame (China) Limited which are all wholly-owned subsidiary of the Company. He is also a director of South China Memorial Park & Funeral Service Limited, an indirect non-wholly-owned subsidiary of the Company where Able Profit (Hong Kong) Limited holds 60% of its total issued shares.

Mr. Sun, Miguel, aged 41, was appointed as an executive Director on 24 February 2012. He graduated from International Hotel Management Institute, Switzerland in 1994. Mr. Sun has served as a management trainee for the Crux Global Hotel Reservation Limited. He has also served as the business development manager for the Chant An Group in Taiwan, which designs and builds hotels, hospitals, and semi-conductor plants. Mr. Sun is the founder and director of Netica Venture Limited, a venture capital company that focuses on wireless communications and the internet. Mr. Sun is also acting as a director of South China Memorial Park & Funeral Service Limited (an indirect non-wholly-owned subsidiary of the Company).

Mr. Cheng Wai Keung, aged 48, was appointed as an executive Director on 23 August 2013. He obtained a bachelor's degree in business administration from Hong Kong Baptist University. Mr. Cheng has over 20 years experience in Hong Kong financial market. He has extensive experience in investment and securities dealing and held senior positions in sales and marketing of various financial institutions in Hong Kong. Mr. Cheng is currently an executive director and the public relations manager of International Standard Resources Holdings Limited (formerly known as "New Smart Energy Group Limited") (stock code: 91), the securities of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Qing Chen, aged 45, was appointed as a non-executive Director on 16 May 2011, and was re-designated as an independent non-executive Director on 18 November 2011. He holds a Bachelor of Economics in Accounting from the Central University of Finance and Economics (formerly known as Central Institute of Finance and Banking). He also holds a Master of Economics from the Capital University of Economics and Business majoring in Banking. Mr. Liu is a member of The Chinese Institute of Certified Public Accountants, and is currently a CPA in Xingtai Jinzheng Certified Public Accounts Co., Limited. He has over 23 years of experience in auditing, accounting and financial management. Mr. Liu is also the chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr. Zhang Chun Qiang, aged 42, was appointed as an independent non-executive Director on 24 February 2012. He holds a Bachelor's Degree of Management from Hebei University, major in Business Management. Mr. Zhang is a member of The Chinese Institute of Certified Public Accountants, he has engaged in various auditing works in several PRC certified public accountants firms like Beijing Lianda Xinlong Certified Public Accounts Co., Ltd.. Mr. Zhang currently served as the head of the Auditing Department of Metallurgical Corporation of China Limited, he has over 24 years of experience in accounting and auditing. Mr. Zhang is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Ms. Tan Xiao Yan, aged 45, was appointed as an independent non-executive Director on 4 January 2013. She holds a Bachelor's Degree of Economics from Xiamen University (廈門大學), and a Degree of Master in Shipping and Transport from Netherlands Maritime University. Ms. Tan currently served as an associate professor (副教授) of Tangshan Industrial Vocational Technical College (唐山工業職業技術學院), she has over 23 years of experience. Ms. Tan is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

COMPANY SECRETARY

Mr. Chan Yuk Hiu, Taylor, aged 35, holds a Diploma (Honours) in Accounting from Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) and a Master of Science in Accountancy from The Hong Kong Polytechnic University. Mr. Chan is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants, he has worked in certified public accountants firms and participated in various audit and accounting works. He has over 14 years experiences in professional accounting practices.

The Directors are pleased to present their report and the audited financial statements of FAVA International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 1 to the financial statements. Upon completion of the disposal of the household products business on 31 May 2013, the Group's principal activity is funeral business.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution by principal business segments during the year is set out in note 6 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2013 and the state of affairs of the Company and the Group at the balance sheet date are set out in the financial statements on pages 28 to 32.

No dividend has been declared or proposed by the Directors of the Company in respect of the year ended 31 December 2013 (2012: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 104. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

ASSETS CLASSIFIED AS HELD FOR SALE

Details of movements in the assets classified as held for sale of the Group during the year are set out in note 28 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 38 and 39 to the financial statements respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws (the "Bye-laws") or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company or any of its subsidiaries has not purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 40 to the financial statements and in the consolidated statement of changes in equity as set out in the financial statements on pages 33 to 34.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, income from sales of goods and provision of services to the Group's five largest customers accounted for 16.67% of the total turnover for the year and Income from sales of goods and provision of services to the largest customer included therein amounted to 4.99%. Expenses arising from purchases of goods and provision of services from the Group's five largest suppliers accounted for 65.95% of the total cost of sales for the year and expenses arising from purchases of goods and provision of services from the largest supplier included therein amounted to 48.28%.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DONATION

Charitable and other donations made by the Group during the year amounted to approximately HK$5,000 (2012: HK$25,000).

PENSION SCHEMES

Particulars of the Group's pension schemes are set out in note 3 to the financial statements.

DIRECTORS

The Directors of the Company during the year and as at the date of this report were:

Executive Directors:

Mr. Li Ge
Mr. Sun, Miguel
Mr. Cheng Wai Keung (appointed on 23 August 2013)
Mr. Wang He Dong (appointed on 26 March 2013 and resigned on 23 August 2013)
Mr. Zhao Guo Wei (resigned on 26 March 2013)

Independent non-executive Directors:

Mr. Liu Qing Chen
Mr. Zhang Chun Qiang
Ms. Tan Xiao Yan (appointed on 4 January 2013)
Mr. Yang Dongli (resigned on 4 January 2013)

In accordance with bye-law 86(2) to the Bye-laws, Mr. Cheng Wai Keung should hold office only until the next following general meeting of the Company, and being eligible for re-election at that general meeting.

In accordance with bye-law 87(1) to the Bye-laws, Mr. Sun, Miguel and Ms. Tan Xiao Yan will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from all of the independent non-executive Directors pursuant to the requirement under Rule 5.09 of the GEM Listing Rules and considers that all of them are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

Biographical details of the Directors and the company secretary of the Company are set out on pages 11 to 12 of the annual report.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Directors' fees and other emoluments are determined by the board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group with reference to the prevailing market conditions.

Details of the Directors' remunerations are set out in note 11 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

As at 31 December 2013, none of the Directors had any direct or indirect interest in any assets which were acquired or disposed of by, or leased to, the Company or any of its subsidiaries, or are proposed to acquired or disposed of by, or lease to, the Company or any of its subsidiaries.

SHARE OPTION SCHEME

On 9 December 2010, the Company adopted a share option scheme (the "Share Option Scheme"). Pursuant to the Share Option Scheme, the Board may for a consideration of HK$1.00 offer to selected eligible persons (as defined in the circular of the Company dated 23 November 2010) to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the Board in its absolute discretion, in any event, shall not be less than the higher of the nominal value for the time being of each share of the Company, the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the relevant option is granted and the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date on which the relevant option is granted.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and other schemes of the Company may not, in aggregate, exceed 30% of the issued share capital of the Company from time to time which have been duly allotted and issued. The total number of shares issued and to be issued upon exercise of the options granted (including both exercised and outstanding options) in any 12-month period to each eligible person shall not exceed 1% of the shares in issue. If any further grant of options to such eligible person which would result in the shares issued or to be issued upon exercise of all options granted or to be granted to such eligible person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of further grant would exceed 1% of the shares in issue, such grant must be separately approved by shareholders in general meeting, with such eligible person and its associates abstaining from voting. A shareholders' circular containing the information required by the GEM Listing Rules shall be despatched to the shareholders. An option may be exercised in whole or in part at any time during the Option Period (as defined in the circular of them Company dated 23 November 2010).

The maximum number of shares available issue upon the exercise of the options under the Share Option Scheme is 17,169,559 shares, representing 10% of 171,695,597 shares, the total issued shares of the Company at the date on which the Share Option Scheme was adopted (as adjusted to reflect the share consolidation effective on 29 August 2013).

The Share Option Scheme became effective for a period of 10 years commencing on 9 December 2010 (the date on which the Share Option Scheme was adopted).

The details and major provisions of the Share Option Scheme were set out in the circular of the Company dated 23 November 2010.

The Company has not grant any options under the Share Option Scheme for the year ended 31 December 2013.

As at the date of this report, none of the Directors or chief executives of the Company held any share options.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" below and the share option scheme as disclosed above, at no time during the year there were any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (THE "SFO")

(A) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 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 as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 of the GEM Listing Rules were as follows:

Long positions in ordinary shares of HK$0.02 each of the Company

	Number of shares held, capacity and nature of interest					
Name of director	**Directly beneficially owned**	**Through spouse or minor children**	**Through controlled corporation** (Note 2)	**Beneficiary of a trust**	**Total**	**Approximate percentage of the Company's total issued capital** (Note 1)
Mr. Li Ge	80,274,000	–	183,092,417	–	263,366,417	23.16%

Note:

(1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 1,137,060,600 issued shares as at 31 December 2013.

(2) Mr. Li Ge beneficially owns the entire issued share capital of True Allied Assets Limited. Therefore, Mr. Li Ge is deemed, or taken to be, interested in all the shares held by True Allied Assets Limited.

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executive of the Company was, under Divisions 7 & 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules.

(B) Substantial shareholders' and other persons' interests and short positions in shares and underlying shares of the Company

So far as were known to the Directors or chief executive of the Company, as at 31 December 2013, the following persons (other than the Directors and chief executive of the Company as disclosed above) had interests and/or short positions of 5% or more of the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of HK$0.02 each of the Company

Name	Notes	**Nature and capacity of interest**	**Number of ordinary shares held**	**Approximate percentage of the Company's total issued capital**
Substantial Shareholder				
True Allied Assets Limited	1,2	Beneficial owner	183,092,417	16.1%

Note:

(1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 1,137,060,600 issued shares as at 31 December 2013.

(2) Mr. Li Ge beneficially owns the entire issued share capital of True Allied Assets Limited. Therefore, Mr. Li Ge is deemed, or taken to be, interested in all the shares held by True Allied Limited.

Save as disclosed above, as at 31 December 2013, the Directors are not aware of any other persons, other than the Directors and chief executives of the Company, whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 to the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

COMPETING INTEREST

None of the Directors or the substantial shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates has any interest in any business which competed or might compete with the business of the Group during the year and as at the date of this report.

EXPOSURE IN EXCHANGE RATE FLUCTUATIONS

As most of the Group's transactions are denominated in Hong Kong dollars and Renminbi, the Directors believe that the Group's exposure to exchange fluctuation was immaterial and the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

CORPORATE GOVERNANCE

Principal governance practices adopted by the Company are set out in the Corporate Governance Report from page 19 to 25.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 47 to the financial statements.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 7 July 2000 with its written terms of reference pursuant to Rules 5.28 to 5.33 of the GEM Listing Rules. Approved by the directors attending the Board meeting held on 1 March 2012, a new terms of reference were adopted by the Audit Committee. As at the day of this report, the Audit Committee comprised three members, namely Mr. Liu Qing Chen, Mr. Zhang Chun Qiang and Ms. Tan Xiao Yan, all being independent non-executive Directors.

The primary duties of the Audit Committee are to review and supervise the financial reporting process, audit plan and relationship with external auditors, the internal control systems of the Group and to provide advices and recommendations to the Board for review and follow-up. During the year, the Audit Committee had held 5 meetings. The Audit Committee has reviewed the Group's financial statements for the year ended 31 December 2013 and provided advice and recommendations to the Board. After the review of the financial statements, the members of the Audit Committee were of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and other applicable laws and regulations and that adequate disclosure had been made.

AUDITORS

A resolution for the reappointment of Messrs. HLB Hodgson Impey Cheng Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

There have been no changes of auditors in the past three years.

On behalf of the Board
Mr. Li Ge
Executive Director

Hong Kong
24 March 2014

The Company is committed to achieving high standards of corporate governance and following the principles set out in the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules (the "CG Code").

During the year, save as disclosed in the paragraphs headed "Chairman and the Chief Executive (Code Provision A.2.1)" below, the Company complied with and did not deviate from the code provisions as set out in the CG Code.

The Board regularly monitors and reviews the Group's progress in respect of corporate governance practices to ensure compliance.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year 2013, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry with Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

BOARD OF DIRECTORS

The Board comprises six Directors, of whom three are executive Directors (one is the chairman and chief executive officer of the Company), and three are independent non-executive Directors.

The Board members during the year 2013 and up to the date of this report were:

Executive Directors

Mr. Li Ge *(Chairman and Chief Executive)*
Mr. Sun, Miguel
Mr. Cheng Wai Keung (appointed on 23 August 2013)
Mr. Wang He Dong (appointed on 26 March 2013 and resigned on 23 August 2013)
Mr. Zhao Guo Wei (resigned on 26 March 2013)

Independent non-executive Directors

Mr. Liu Qing Chen
Mr. Zhang Chun Qiang
Ms. Tan Xiao Yan (appointed on 4 January 2013)
Mr. Yang Dongli (resigned on 4 January 2013)

The independent non-executive Directors are responsible for making independent judgment on the issues relating to the strategy, performance, conflict of interest and management process of the Group to ensure that the interests of the shareholders as a whole have been duly considered. Furthermore, in accordance with the requirement of the GEM Listing Rules, the Audit Committee was chaired by an independent non-executive Director with appropriate accounting qualifications and professional experiences.

The Board considers that all of the independent non-executive Directors are independent and has received from each of them the annual confirmation of independence required by Rule 5.09 of the GEM Listing Rules.

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of the management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates the day-to-day operations of the Group to the executive Directors and senior management, while reserving certain key matters for its approval.

Decisions of the Board are communicated to the management through the executive Directors who attend Board meetings.

There is no relationship (whether financial, business, family or other material/relevant relationships) among the members of the Board.

No corporate governance committee has been established by the Company and the Board is responsible for performing the corporate governance duties, which included:

(1) to develop and review and reviewing the policies and practices on corporate governance of the Group;

(2) to review and monitor the training and continuous professional development of Directors and senior management;

(3) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(5) to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

Change of Directors

Mr. Yang Dongli resigned as an independent non-executive Director, Audit Committee member, Remuneration Committee member and Nomination Committee member of the Company on 4 January 2013 and Ms. Tan Xiao Yan has been appointed as an independent non-executive Director, Audit Committee member, Remuneration Committee member and Nomination Committee member of the Company to replace Mr. Yang Dongli on the same day.

Mr. Zhao Guo Wei resigned as an executive Director of the Company on 26 March 2013 and Mr. Wang He Dong has been appointed as an executive Director of the Company to replace Mr. Zhao Guo Wei on the same day.

Mr. Wang He Dong resigned as an executive Director of the Company on 23 August 2013 and Mr. Cheng Wai Keung has been appointed as an executive Director of the Company to replace Mr. Wang He Dong on the same day.

The Board held 27 meetings during the year 2013. Details of the attendance of the Board meetings are as follows:

Name of Directors	Notes	**Meetings attended/held**	**Attendance rate**
Executive Directors			
Mr. Li Ge *(chairman and chief executive officer)*		27/27	100%
Mr. Sun, Miguel		27/27	100%
Mr. Cheng Wai Keung	1	12/12	100%
Mr. Wang He Dong	2	10/10	100%
Mr. Zhao Guo Wei	3	5/5	100%
Independent non-executive Directors			
Mr. Liu Qing Chen		27/27	100%
Mr. Zhang Chun Qiang		27/27	100%
Ms. Tan Xiao Yan	4	26/26	100%
Mr. Yang Dongli	5	1/1	100%

Notes:

(1) appointed on 23 August 2013

(2) appointed on 26 March 2013 and resigned on 23 August 2013

(3) resigned on 26 March 2013

(4) appointed on 4 January 2013

(5) resigned on 4 January 2013

All directors were given at least 14 days notice for a regular board meeting, for all other board meetings, the Directors were given reasonable notice. Agenda and relevant documents of the meeting was given to all the Directors before the date of the board meeting; the initial draft of the minutes of the board meeting was sent to the Directors for reviewing and providing comments; and the final draft of the minutes will be sent to the Directors for signature and records.

Directors can access to the company secretary or the intermediary for advice with a view to ensuring that board procedures and all applicable rules and regulations are followed. The minutes of board meeting were kept by the company secretary, and such minutes were opened for inspection at any reasonable time on reasonable notice by any Director.

Directors' Attendance of the General Meetings (Code Provision A.6.7)

Pursuant to Code Provision A.6.7, independent non-executive Directors should attend general meetings of the Company and develop a balanced understanding of the views of shareholders.

During the year 2013, the Company held 4 general meetings, being 3 special general meetings held on 27 May 2013, 28 August 2013 and 31 October 2013 respectively, and 1 annual general meeting held on 7 May 2013.

Details of the attendance of the general meetings are as follows:

Name of Directors	Notes	Meetings attended/held	Attendance rate
Executive Directors			
Mr. Li Ge *(chairman and chief executive officer)*		4/4	100%
Mr. Sun, Miguel		4/4	100%
Mr. Cheng Wai Keung	1	2/2	100%
Mr. Wang He Dong	2	2/2	100%
Mr. Zhao Guo Wei	3	N/A	N/A
Independent non-executive Directors			
Mr. Liu Qing Chen		4/4	100%
Mr. Zhang Chun Qiang		4/4	100%
Ms. Tan Xiao Yan	4	4/4	100%
Mr. Yang Dongli	5	N/A	N/A

Notes:

(1) appointed on 23 August 2013

(2) appointed on 26 March 2013 and resigned on 23 August 2013

(3) resigned on 26 March 2013

(4) appointed on 4 January 2013

(5) resigned on 4 January 2013

DIRECTORS' TRAINING

Each newly appointed director has received comprehensive, formal and tailored induction on appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities under the GEM Listing Rules and relevant regulatory requirements.

Pursuant the Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year, all Directors have participated in appropriate continuous professional developments including reading regulatory updates in relation to the Group's business, attending internal briefing sessions and reading materials relevant to the director's duties and responsibilities.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

Appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group has been arranged by the Group.

CHAIRMAN AND CHIEF EXECUTIVE (CODE PROVISION A.2.1)

The Group deviates from Code Provision A.2.1 of the CG Code. The roles of chairman of the Board and chief executive of the Company rests on the same individual without having a clear division of responsibilities. Mr. Li Ge ("Mr. Li") takes the roles of both chairman of the Board and chief executive of the Company. While serving as the chairman of the Board, Mr. Li leads the Board and is responsible for the proceedings and workings of the Board. He ensures that:

- the Board acts in the best interests of the Group; and
- the Board functions effectively, and that all key and appropriate issues are properly briefed to and discussed by the Board.

However, the Board is of the view that, such non-compliance does not compromise accountability and independent decision making for the following reasons:

- the three independent non-executive Directors form half of the six-member Board;
- the Audit Committee, Remuneration Committee and the Nomination Committee are composed exclusively of independent non-executive Directors; and
- the independent non-executive Directors could have free and direct access to the Company's external auditors and independent professional advice whenever necessary.

Mr. Li continuously dedicates to contribute to the growth and profitability of the Group. The Board considered it to be more efficient for the Group to have an executive chairman which provides the Board with a strong and consistent leadership to guide discussions and brief the Board in a timely manner on pertinent issues and their progress and facilitates open dialogue between the Board and the management. Therefore, it is in the best interests of the Company and its shareholders as a whole.

DIRECTORS' SERVICE CONTRACTS

The executive Director and Chairman, Mr. Li Ge, has entered into a service contract with the Company for a term of 2 years commencing from 1 January 2014 subject to termination in accordance with the terms of the service contract, by not less than 2 months' notice in writing served by Mr. Li on the Company, or by not less than one month's notice in writing served by the Company on Mr. Li for good reason(s).

The other two executive Directors, Mr. Sun, Miguel and Mr. Cheng Wai Keung, and the three independent non-executive Directors, Mr. Liu Qing Chen, Mr. Zhang Chun Qiang and Ms. Tan Xiao Yan, were all appointed by way of a formal appointment letter for a term of one year with automatic renewal subject to termination by not less than one month's notice in writing served by either party on the other. The appointment dates of each of the Directors (except Mr. Li Ge) as stated in their latest appointment letters are as follows:

Executive Directors

Mr. Sun, Miguel	1 January 2014
Mr. Cheng Wai Keung	23 August 2013

Independent Non-executive Directors

Mr. Liu Qing Chen	1 January 2014
Mr. Zhang Chun Qiang	1 January 2014
Ms. Tan Xiao Yan	4 January 2013

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive Directors as at 31 December 2013, namely Mr. Liu Qing Chen (chairman), Ms. Tan Xiao Yan and Mr. Zhang Chun Qiang, respectively.

The principal functions of the Remuneration Committee include:

- to recommend to the Board on the Company's policies and structure for the remuneration of the Directors and senior management of the Group;
- to recommend to the Board on the remuneration packages of all Directors and senior management of the Group;
- to review and approve the management's performance-based remuneration.

The written terms of reference of the Remuneration Committee is available on the website of the Company and the Stock Exchange.

During the year 2013, the Remuneration Committee has held 4 meetings, and the matters under discussion include (i) to review and recommend on the remuneration packages of 2 newly appointed executive Directors and a newly appointed independent non-executive Director of the Company; and (ii) to review and recommend on the remuneration packages of all the then Board members.

The attendance records of the Remuneration Committee meetings are as follows:

Name of members	Notes	**Meetings attended/held**	**Attendance rate**
Mr. Liu Qing Chen		4/4	100%
Mr. Zhang Chun Qiang		4/4	100%
Ms. Tan Xiao Yan	1	3/3	100%
Mr. Yang Dongli	2	1/1	100%

Notes:

(1) appointed on 4 January 2013

(2) resigned on 4 January 2013

NOMINATION COMMITTEE

On 1 March 2012, the Board established a Nomination Committee comprising Mr. Liu Qing Chen (an independent nonexecutive Director) as the chairman, and Ms. Tang Xiao Yan (an independent non-executive Director) and Mr. Zhang Chun Qiang (an independent non-executive Director) as its members.

The written terms of reference of the Nomination Committee (as revised on and became effective from 30 August 2013) is available on the website of the Company and the Stock Exchange.

Given below are the main duties of the Nomination Committee:

(a) review the structure, size and diversity (including but not limited to gender, age, cultural and educational background, professional skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(c) assess the independence of independent non-executive Directors;

(d) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the chief executive; and

(e) review the board diversity policy, as appropriate; review the measurable objectives that the Board has set for implementing the board diversity policy, and progress on achieving the objectives, and make recommendations to the Board on any of the aforesaid matters, and make disclosure of its review results in the Corporate Governance Report of the Company annually.

During the year 2013, the Nomination Committee has held 4 meetings, and the matters under discussion include (i) to access the structure, size and composition of the Board; (ii) to access the nominees of the directors to be appointed and provide opinions and recommendations to the Board; and (iii) to consider and approve the board diversity policy to be adopted.

The attendance records of the Nomination Committee meetings are as follows:

Name of members	Notes	Meetings attended/held	Attendance rate
Mr. Liu Qing Chen		4/4	100%
Mr. Zhang Chun Qiang		4/4	100%
Ms. Tan Xiao Yan	1	4/4	100%
Mr. Yang Dongli	2	N/A	N/A

Notes:

(1) appointed on 4 January 2013

(2) resigned on 4 January 2013

AUDITORS' REMUNERATION

An amount of approximately HK$650,000 (2012: HK$650,000) was charged to the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013 as auditors' fee.

The nature of audit and non-audit services provided by HLB Hodgson Impey Cheng Limited ("HLB") and fees paid to HLB set out below:

	HK$' 000
Audit services	650

AUDIT COMMITTEE

The Audit Committee was established on 7 July 2000 to review the Group's financial reporting, internal controls and make relevant recommendations to the Board.

The Audit Committee comprised three independent non-executive Directors as at 31 December 2013, namely Mr. Liu Qing Chen (chairman), Ms. Tan Xiao Yan and Mr. Zhang Chun Qiang respectively.

In the year 2013, the Audit Committee had held 5 meetings. The Group's 2013 quarterly reports, 2013 half-yearly report, 2012 and 2013 annual results and 2012 and 2013 annual reports had been reviewed by the Audit Committee and were recommended to the Board for approval, and the Audit Committee was of the opinion that such reports and results were prepared in accordance with the applicable accounting standards and requirements. The committee also reviewed the internal control of the Group and provided opinions and recommendations to the Board for approval and follow-up.

The written terms of reference of the Audit Committee are available on the website of the Company and the Stock Exchange.

The attendance records of the Audit Committee meetings are as follows:

Name of members	Notes	**Meetings attended/held**	**Attendance rate**
Mr. Liu Qing Chen		5/5	100%
Mr. Zhang Chun Qiang		5/5	100%
Ms. Tan Xiao Yan	1	5/5	100%
Mr. Yang Dongli	2	N/A	N/A

Notes:

(1) appointed on 4 January 2013

(2) resigned on 4 January 2013

ACCOUNTABILITY AND INTERNAL CONTROLS

The Directors acknowledge their responsibility for preparing all information and representations contained in the consolidated financial statements of the Company for the year under review. As at 31 December 2013, the Directors have conducted a review of the effectiveness of the system of internal control of the Group and are not aware of any material uncertainties relating to events or conditions which may cost significant doubt upon the ability of the Company to continue as a going concern basis.

The statement of the external auditors of the Company about their reporting responsibilities on the Consolidated financial statements is set out in the auditors' report of the annual report of the Company for the year ended 31 December 2013.

COMPANY SECRETARY

Mr. Chan Yuk Hiu, Taylor has been appointed as the company secretary of the Company since 2006. Pursuant to the GEM Listing Rules, Mr. Chan has taken no less than 15 hours of the relevant professional training during the year.

SHAREHOLDERS' RIGHTS

1. Convene Special General Meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

The notice period to be given to all the registered Shareholders for consideration of the proposal raised by the Shareholder(s) concerned at the special general meeting varies according to the nature of the proposal as follows:

- at least twenty-one (21) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes a special resolution of the Company; and

- at least fourteen (14) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

2. Put Enquiries to the Board

Shareholders can direct their questions to Tricor Tengis Limited, the Company's branch registrar and transfer office in Hong Kong, about their shareholdings.

Shareholders also have the right to put enquiries to the Board, all enquiries shall be in writing and sent by post to the registered office of the Company in Hong Kong at Room 1005, 10/F., C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong or by email to fava@fava.com.hk or by fax to (852) 2723 8108 for the attention of Company Secretary.

3. Put Forward Proposals at Shareholders' Meetings

On the requisition in writing of either (i) any number of shareholder of the Company representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than 100 shareholders, the Company shall, at the expense of the requisitionists:

a) to give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting;

b) to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be signed by the requisitionists and deposited at the registered office of the Company in Hong Kong for the attention of the Company Secretary.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board communicates with the shareholders and investors through the annual general meetings and special general meetings. In compliance with the requirements of GEM Listing Rules, the Company released regular reports, announcements, circulars, notice of general meetings and associated explanatory documents on the website of the Stock Exchange and the Company's website at www.fava.com.hk. Shareholders and investors can get the latest information of the Company through these publications of the Company.

A copy of the Bye-laws has been published on the website of the Company and the website of the Stock Exchange. There has been no significant changes in the Company's constitutional documents during the year.

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
FAVA INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of FAVA International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 103, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 24 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Continuing operation			
Turnover	7	**67,070**	39,165
Cost of sales		**(69,303)**	(42,633)
Gross loss		**(2,233)**	(3,468)
Other revenue	7	**166**	260
Other net gain and loss	8	**(199)**	6,987
Gain on disposal of subsidiaries	42(b)	**64**	–
Selling and distribution costs		**(5,470)**	(4,233)
Administrative expenses		**(32,740)**	(19,824)
Change in fair value of derivative financial assets	35	**(6,441)**	–
Loss from operations	9	**(46,853)**	(20,278)
Finance costs	10	**(16,452)**	(8,000)
Loss before taxation		**(63,305)**	(28,278)
Taxation	13	**179**	–
Loss for the year from continuing operation		**(63,126)**	(28,278)
Discontinued operation			
Profit/(loss) for the year from discontinued operation	14	**29,356**	(67,955)
Loss for the year		**(33,770)**	(96,233)
Other comprehensive (loss)/income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations			
– Exchange differences arising during the year		**7,527**	1,345
– Reclassification adjustment relating to foreign operations disposed of during the year		**(48,937)**	–
Total other comprehensive (loss)/income for the year		**(41,410)**	1,345
Total comprehensive loss for the year		**(75,180)**	(94,888)
Loss attributable to:			
Owners of the Company		**(28,764)**	(80,210)
Non-controlling interests		**(5,006)**	(16,023)
		(33,770)	(96,233)

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Total comprehensive loss attributable to:			
Owners of the Company		**(71,140)**	(78,914)
Non-controlling interests		**(4,040)**	(15,974)
		(75,180)	(94,888)
Loss per share			
			(restated)
From continuing and discontinued operations			
– Basic and diluted (HK cents per share)	17	**(9.5)**	(45.6)
			(restated)
From continuing operation			
– Basic and diluted (HK cents per share)	17	**(19.4)**	(12.7)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	18	**3,276**	3,559
Intangible assets	19	**86,813**	85,996
		90,089	89,555
Current assets			
Inventories	22	**367**	138
Financial assets at fair value through profit or loss	23	**–**	3,129
Derivative financial assets	35	**243**	–
Trade receivables	24	**677**	315
Prepayments, deposits and other receivables	25	**80,724**	1,875
Cash and bank balances	26	**3,843**	5,352
Pledged bank deposits	27	**28,240**	28,240
		114,094	39,049
Assets classified as held for sale	28	**–**	249,123
		114,094	288,172
Less: Current liabilities			
Trade payables	29	**81**	362
Other payables and accruals	30	**4,279**	35,005
Receipts in advance	31	**607**	670
Amounts due to directors	32	**1,793**	11,043
Amount due to a shareholder	33	**–**	4,000
Obligations under finance lease – due within one year	34	**–**	24
Convertible notes	35	**4,132**	34,981
		10,892	86,085
Liabilities directly associated with assets classified as held for sale	28	**–**	76,656
		10,892	162,741
Net current assets		**103,202**	125,431

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Total assets less current liabilities		**193,291**	214,986
Less: Non-current liabilities			
Obligations under finance lease – due after one year	34	**–**	51
Bond liabilities	36	**13,000**	–
Deferred tax liabilities	37	**968**	–
		13,968	51
Net assets		**179,323**	214,935
Capital and reserves			
Share capital	38	**22,741**	3,517
Reserves	40(a)	**166,928**	174,223
Total equity attributable to owners of the Company		**189,669**	177,740
Non-controlling interests		**(10,346)**	37,195
Total equity		**179,323**	214,935

Approved by the Board of Directors on 24 March 2014 and signed on its behalf by:

Mr. Li Ge
Director

Mr. Sun Miguel
Director

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Interests in subsidiaries	21	**–**	–
Property, plant and equipment	18	**18**	–
		18	–
Current assets			
Derivative financial assets	35	**243**	–
Amounts due from subsidiaries	21	**32,434**	21,561
Prepayments, deposits and other receivables	25	**246**	285
Cash and bank balances	26	**949**	35
		33,872	21,881
Less: Current liabilities			
Other payables and accruals	30	**1,184**	6,465
Amounts due to directors	32	**1,793**	7,000
Convertible notes	35	**4,132**	34,981
		7,109	48,446
Net assets/(liabilities)		**26,763**	(26,565)
Total assets less current liabilities		**26,781**	(26,565)
Less: Non-current liabilities			
Bond liabilities	36	**13,000**	–
Deferred tax liabilities	37	**968**	–
		13,968	–
Net assets/(liabilities)		**12,813**	(26,565)
Capital and reserves			
Share capital	38	**22,741**	3,517
Reserves	40(b)	**(9,928)**	(30,082)
Total equity		**12,813**	(26,565)

Approved by the Board of Directors on 24 March 2014 and signed on its behalf by:

Mr. Li Ge
Director

Mr. Sun Miguel
Director

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

For the year ended 31 December 2013

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Discontinued operation HK$'000	Share options reserve HK$'000	Convertible notes reserve HK$'000	Exchange reserve HK$'000	Statutory reserves HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	3,517	219,534	36,000	(84,392)	–	1,656	–	44,587	43,500	264,402	(8)	264,394
Loss for the year	–	–	–	(80,210)	–	–	–	–	–	(80,210)	(16,023)	(96,233)
Other comprehensive income for the year	–	–	–	–	–	–	–	1,296	–	1,296	49	1,345
Total comprehensive (loss)/income for the year	–	–	–	(80,210)	–	–	–	1,296	–	(78,914)	(15,974)	(94,888)
Additional non-controlling interests arising on disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	53,177	53,177
Difference arising on disposal of interest in a subsidiary	–	–	–	(8,177)	–	–	–	–	–	(8,177)	–	(8,177)
Recognition of the equity component of convertible notes	–	–	–	–	–	–	429	–	–	429	–	429
Expiry of share option	–	–	–	1,656	–	(1,656)	–	–	–	–	–	–
Transfer to discontinued operation	–	–	–	–	89,383	–	–	(45,883)	(43,500)	–	–	–
At 31 December 2012 and 1 January 2013	3,517	219,534	36,000	(171,123)	89,383	–	429	–	–	177,740	37,195	214,935

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Discontinued operation HK$'000	Share options reserve HK$'000	Convertible notes reserve HK$'000	Exchange reserve HK$'000	Statutory reserves HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Loss for the year	–	–	–	(28,764)	–	–	–	–	–	(28,764)	(5,006)	(33,770)
Other comprehensive income for the year												
– Exchange differences arising during the year	–	–	–	–	3,054	–	–	3,507	–	6,561	966	7,527
– Reclassification adjustments relating to foreign operations disposed of during the year	–	–	–	–	(48,937)	–	–	–	–	(48,937)	–	(48,937)
Total comprehensive loss for the year	–	–	–	(28,764)	(45,883)	–	–	3,507	–	(71,140)	(4,040)	(75,180)
Release of statutory reserve upon disposal of subsidiaries	–	–	–	–	(43,500)	–	–	–	–	(43,500)	–	(43,500)
Derecognition of non-controlling interests upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(43,501)	(43,501)
Issue of shares upon conversion of convertible notes	891	29,112	–	–	–	–	(20,395)	–	–	9,608	–	9,608
Issue of shares by open offer (Note 38)	18,193	72,772	–	–	–	–	–	–	–	90,965	–	90,965
Issue of shares by placing (Note 38)	140	2,982	–	–	–	–	–	–	–	3,122	–	3,122
Transaction costs attributable to issue of shares	–	(7,125)	–	–	–	–	–	–	–	(7,125)	–	(7,125)
Recognition of the equity component of convertible notes (Note 35)	–	–	–	–	–	–	47,458	–	–	47,458	–	47,458
Recognition upon modification of convertible notes	–	–	–	–	–	–	2,239	–	–	2,239	–	2,239
Transaction costs attributable to issue of convertible notes	–	–	–	–	–	–	(506)	–	–	(506)	–	(506)
Deferred taxation of convertible notes	–	–	–	–	–	–	(6,162)	–	–	(6,162)	–	(6,162)
Early redemption of convertible notes	–	–	–	1,002	–	–	(14,032)	–	–	(13,030)	–	(13,030)
Derecognition upon modification of convertible notes	–	–	–	2,143	–	–	(2,143)	–	–	–	–	–
Expiry of convertible notes	–	–	–	90	–	–	(90)	–	–	–	–	–
At 31 December 2013	22,741	317,275	36,000	(196,652)	–	–	6,798	3,507	–	189,669	(10,346)	179,323

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

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Profit/(loss) before taxation			
Continuing operation		**(63,305)**	(28,278)
Discontinued operation		**29,480**	(67,955)
		(33,825)	(96,233)
Adjustments for:			
Discount on consideration payable for acquisition of subsidiaries		**–**	(8,000)
Interest income	7	**(3)**	(188)
Gain on modification of convertible notes	8	**(340)**	–
Gain on early redemption of convertible notes	8	**(2,151)**	–
Depreciation of property, plant and equipment		**2,081**	13,716
Loss on disposal of property, plant and equipment	9	**9**	–
Gain on financial assets at fair value through profit or loss	7	**(98)**	–
Fair value change of derivative financial assets	35	**6,441**	–
Gain on disposal of subsidiaries	42	**(31,745)**	–
Amortisation of long-term prepayments		**2,092**	11,255
Impairment loss of trade receivables	24	**246**	6,406
Impairment loss of prepayments and other receivables	25	**–**	4,144
Impairment loss of intangible assets	19	**2,690**	1,013
Reversal of impairment loss of trade receivables	24	**–**	(777)
Reversal of impairment loss of prepayments and other receivables	25	**–**	(376)
Finance costs	10	**16,452**	8,000
Operating cash flow before working capital changes		**(38,151)**	(61,040)
(Increase)/decrease in inventories		**(19,156)**	40,200
Increase in trade receivables		**(3,134)**	(9,003)
Decrease/(increase) in prepayments, deposits and other receivables		**4,608**	(2,378)
Increase in pledged bank deposits		**–**	(26,842)
Increase/(decrease) in trade payables		**3,366**	(12,068)
(Decrease)/increase in other payables and accruals		**(27,269)**	9,873
Decrease in receipts in advance		**(5,370)**	(21,574)
(Decrease)/increase in amounts due to directors		**(8,899)**	10,993
Decrease in amount due to a shareholder		**(4,000)**	(1,000)
Cash used in operations		**(98,005)**	(72,839)
Profits tax paid		**(61)**	–
Interest element on finance lease rental payments		**(2)**	(2)
Net cash outflow from operating activities		**(98,068)**	(72,841)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from investing activities			
Interest received		**3**	188
Purchase of property, plant and equipment		**(1,147)**	(4,710)
Purchase of intangible assets		**–**	(6,000)
Purchase of financial assets at fair value through profit or loss		**–**	(3,129)
Proceeds from disposal of property, plant and equipment		**28**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**3,227**	3,743
Proceeds from disposal of assets classified as held for sale		**–**	24,053
Net cash outflow from disposal of subsidiaries	42	**(12,610)**	–
Net cash outflow from acquisition of subsidiaries	41	**–**	(44,996)
Net cash outflow from investing activities		**(10,499)**	(30,851)
Cash flows from financing activities			
Interest paid		**(14,721)**	(7,588)
Proceeds from issue of shares		**86,962**	–
Proceeds from issue of bonds		**13,000**	–
Proceeds from issue of convertible notes		**59,250**	35,000
Proceeds on disposal of partial interest in a subsidiary		**–**	45,000
Early redemption of convertible notes		**(31,470)**	–
Repayment of convertible notes upon expiry		**(23,530)**	–
Capital element of finance lease rental payments		**(47)**	(28)
Net cash inflow from financing activities		**89,444**	72,384
Net (decrease)/increase in cash and cash equivalents		**(19,123)**	(31,308)
Cash and cash equivalents at the beginning of the year		**19,258**	50,416
Effects of exchange rate changes on the balance of cash held in foreign currencies		**3,708**	150
Cash and cash equivalents at the end of the year		**3,843**	19,258
Analysis of balances of cash and cash equivalents			
Cash and bank balances	26	**3,843**	19,258

The accompanying notes form an integral part of these consolidated financial statements

1. CORPORATE INFORMATION

FAVA International Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office and the principal place of business of the Company are disclosed in "Corporate Information" section of the annual report.

The principal activity of the Company is investment holding. During the year, the principal activities of the Group are provision of funeral services and sale of funeral related products, and the manufacturing and sales of household products business which was discontinued during the year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued certain new and revised standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 1 January 2013, except for the amendments to HKAS 36 which are mandatory for accounting periods beginning on or after 1 January 2014. These new and revised standards, amendments and interpretations adopted in the current year are referred to as new and revised HKFRSs. A summary of the effect on initial adoption of these new and revised HKFRSs is set out below.

HKFRS 1 (Amendments)	Government Loans
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HKAS 36 (Amendments)	Recoverable Amount and Disclosures for Non-Financial Assets
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for the amendments to HKAS 1 and HKAS 36, the application of these new and revised HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 and HKAS 36, is described below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012.

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 36 – Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. The Group has early applied the amendments for the current accounting period beginning on 1 January 2013, but has not applied those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

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

HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 9	Financial Instruments[3]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[3]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
3 No mandatory effective date yet determined but is available for adoption.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The date when entities would be required to apply HKFRS 9 was previously stated at 1 January 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

The Directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The Investment Entities amendments apply to a particular class of business that qualify as investment entities. The term "investment entity" refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The Directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) will have no material impact on the Group's financial performance and positions.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting *(Continued)*

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The Directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

HK (IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC) – Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the consolidated financial statements.

A summary of significant accounting policies adopted by the Group in the preparation of the consolidated financial statements is set out below:

Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost convention except for certain financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in 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, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Subsidiaries

A subsidiary in an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

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

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 at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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 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.

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 another measurement basis required by another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

Business combinations *(Continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives or estimated unit of production. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful life carried at cost less accumulated impairment loss.

Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their costs).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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. Where 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 and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset 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.

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 the cash-generating unit) is reduced to its recoverable amount. 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) 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.

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

Related party transactions

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

Related party transactions *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchases price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

Plant and machinery	18%
Leasehold improvements	Over the lease terms
Motor vehicles	18%
Furniture and fixtures	20%
Office and computer equipment	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rental payable under the operating leases net of any incentives received from the lessor are charged to the statement of comprehensive income on the straight-line basis over the lease terms.

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 and financial liabilities 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

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss"(FVTPL), "held-to-maturity" investments, "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 initial recognition. All regular way purchases or sales of financial assets are recognised and 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 debt instrument 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

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

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at 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 HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated 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 incorporates any dividend or interest earned on the financial asset and is included in the consolidated statement of comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

For AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments that are measured at cost less any identified impairment losses at the end of the reporting period.

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

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, pledged bank deposits, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when 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 investment 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 or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, 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 in the portfolio past the average credit period of 30-180 days, as well as 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 estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in 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 the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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 securities, 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 investments revaluation reserve. In respect of AFS debt securities, 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 as either 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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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 financial liabilities classified as at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at 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 HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated 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 incorporates any interest paid on the financial liability and is included in the consolidated statement of comprehensive income.

3. SUMMARY OF 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 a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or losses on fair value changes is recognised in profit or loss.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their economic risks and characteristics are not closely related to those of the host contacts and the host contacts are not measured at fair value with changes in fair value recognised in profit or loss.

Convertible notes

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities, equity and derivatives in accordance with the substance of the contractual arrangements and the definitions of a financial liability, an equity instrument and derivative financial instruments. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities (including trade payables, other payables and accruals, amounts due to directors, amount due to a shareholder, obligations under finance lease and bond liabilities) are subsequently measured at amortised cost using the effective interest method.

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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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.

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

FINANCIAL INSTRUMENTS *(Continued)*

Derecognition *(Continued)*

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.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities 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.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out or weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads.

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

CASH AND CASH EQUIVALENTS

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

For the purpose of the statement of financial positions, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

PROVISIONS AND CONTINGENT LIABILITIES

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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

Income tax

Income tax comprises the tax currently payable and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

- where the deferred tax liability arise from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when services are provided; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Pension schemes

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their statement of comprehensive incomes are translated into Hong Kong dollars at the weighted average exchange rates for the year. Exchange differences arising are recognised in the exchange reserve.

Goodwill and 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 the exchange reserve.

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

Borrowing costs

Borrowing costs are recognised as expenses in the statement of comprehensive income in the period in which they are incurred.

Segment reporting

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities.

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate portions of expenses and assets mainly comprise corporate administrative and financing expenses and corporate financial assets respectively.

Non current assets held for sale

Non-current assets (or disposal group) are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the assets or a disposal group must be available for immediate sale in their present condition subject only to terms that are usual and customary for the sale of such assets or a disposal group and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated or amortised.

Discontinued operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or is part of a single co-ordinated plan to dispose of a separate major line of business.

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(A) Income tax

The Group is subject to income taxes in Hong Kong and the People's Republic of China (the "PRC"). Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(B) Impairment of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value in use calculations which require the use of assumptions and estimates.

(C) Impairment of trade receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the statement of comprehensive income. Changes in the collectability of trade receivables for which provisions are not made could affect our results of operations.

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

(D) Impairment of intangible assets

The Group tests annually whether intangible assets have suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of intangible assets have been determined based on discounted cash flow method (Note 19).

The carrying amount of intangible assets as at 31 December 2013 was approximately HK$86,813,000 (2012: HK$85,996,000).

(E) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience and selling goods of similar nature. It could change significant as a result of change in market condition. Management reassess the estimations at the end of the reporting period.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(A) Categories of financial instruments

	The Group	
	2013	2012
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**104,435**	33,907
Derivative financial assets	**243**	–
Financial assets at fair value through profit or loss	**–**	3,129
	104,678	37,036
Financial liabilities		
Measured at amortised cost	**23,285**	85,466

	The Company	
	2013	2012
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**33,383**	21,596
Derivative financial assets	**243**	–
	33,626	21,596
Financial liabilities		
Measured at amortised cost	**20,109**	48,446

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(B) Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are market risk (including interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk. The directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates.

Market risk exposures are measured by sensitivity analysis.

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

Interest rate risk management

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group considers that there is no significant cash flow interest rate risk as the Group does not have any significant interest-bearing liabilities at floating rate.

The Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note.

Foreign currency risk management

The Group's continuing operation is not subject to foreign currency risk as all the transactions of the Group's continuing operation are denominated in Hong Kong dollars.

During the year ended 31 December 2013, one of the subsidiaries of the Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. The units markets mainly located in the United States of America ("USA"), European Union and the PRC with sales denominated in United States dollars ("USD"), Euro dollars ("Euro") and Renminbi ("RMB") respectively whilst almost all of costs are denominated in the units' respective functional currency. The subsidiaries was disposed of during the year ended 31 December 2013.

Sensitivity analysis on foreign currency risk management

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:-

	Liabilities		Assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**–**	–	**–**	5,884
Euro	**–**	–	**–**	97
RMB	**–**	–	**–**	1

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(B) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

As at 31 December 2012, the Group is mainly exposed to the effects of fluctuation in USD and EURO.

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A negative number below indicates a decrease in profit where the Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of the Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit, and the balance below would be positive.

	2013 **HK$'000**	2012 HK$'000
Impact of USD		
Profit or loss (Note (i))	–	(294)
Impact of Euro		
Profit or loss (Note (ii))	–	(5)

Notes:

(i) This is mainly attributable to the exposure outstanding on receivables, prepayments, cash and bank balances, trade payables and receipts in advance denominated in USD not subject to cash flow hedge at year end.

(ii) This is mainly attributable to the exposure outstanding on receivables, cash and bank balances and receipts in advance denominated in Euro not subject to cash flow hedge at year end.

Other price risk

As at 31 December 2013, the Group has no significant exposure to equity price risk. As at 31 December 2012, the Group is exposed to equity price risk mainly through its investment. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. In addition, the management of the Group would monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis on change in fair value of financial assets at fair value through profit or loss

The sensitivity analyses below have been determined based on the exposure to price risk at the end of the reporting period.

If prices had been 10% higher/lower, post-tax profit for the year ended 31 December 2013 would increase/decrease by approximately HK$nil (2012: HK$313,000). This is mainly due to the changes in fair value of financial assets designated as financial assets at fair value through profit or loss investments.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(B) Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2013 and 2012, 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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has put in place policies to ensure that sales of products are made to recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are required to pay deposits which amounts are varied from customers to customers. In addition, receivable balances are monitored on an ongoing basis. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Company does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across geographical areas.

Liquidity risk

The Group's liquidity risk management includes diversifying the funding sources. Internally generated cash flow and issuance of convertible notes and shares are the general source of funds to finance the operation of the Group. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have 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 tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

The amounts included below for variable interest rate instruments for both non-derivative financial liabilities are subject to change if changes in variable interest rates different to those estimates of interest rates determined at the end of the reporting period.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate %	Within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
The Group					
2013					
Non-derivative financial liabilities					
Trade payables	–	81	–	81	81
Other payables and accruals	–	4,279	–	4,279	4,279
Amounts due to directors	–	1,793	–	1,793	1,793
Convertible notes	15	10,000	–	10,000	4,132
Bond liabilities	8	–	15,720	15,720	13,000
		16,153	15,720	31,873	23,285
2012					
Non-derivative financial liabilities					
Trade payables	–	362	–	362	362
Other payables and accruals	–	35,005	–	35,005	35,005
Amount due to a director	–	11,043	–	11,043	11,043
Amount due to a shareholder	–	4,000	–	4,000	4,000
Obligations under finance lease	2	26	56	82	75
Convertible notes	57	35,000	–	35,000	34,981
		85,436	56	85,492	85,466

	Weighted average effective interest rate %	Within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
The Company					
2013					
Non-derivative financial liabilities					
Other payables and accruals	–	1,184	–	1,184	1,184
Amounts due to directors	–	1,793	–	1,793	1,793
Convertible notes	15	10,000	–	10,000	4,132
Bond liabilities	8	–	15,720	15,720	13,000
		12,977	15,720	28,697	20,109
2012					
Non-derivative financial liabilities					
Other payables and accruals	–	6,465	–	6,465	6,465
Amount due to a director	–	7,000	–	7,000	7,000
Convertible notes	57	35,000	–	35,000	34,981
		48,465	–	48,465	48,446

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Fair value measured

The note provides information about how the Group determine fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring basis

The following table gives information about how the fair value of these financial assets and liabilities are determined (in particular, the valuation techniques(s) and input used.

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31 December 2013 HK$'000	31 December 2012 HK$'000		
Financial assets				
Derivative financial assets	**243**	–	Level 2	Binominal Model, Key inputs include share price, volatility, time to maturity, conversion price and dividend yield
Financial assets designated as financial assets at fair value through profit or loss	–	3,129	Level 1	Quoted bid prices in an active market.

There are no transfer between Level 1, 2 and 3 in both years.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

Except the Group's convertible notes with carrying amount of approximately HK$4,132,000 which have fair value of approximately HK$3,994,000, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximately their fair values.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Fair value measured

	Fair value hierarchy as at 31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Derivative financial assets	**–**	**243**	**–**	**243**

	Fair value hierarchy as at 31 December 2012			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Financial assets designated as financial assets at fair value through profit or loss	3,129	–	–	3,129

The fair values of the financial assets included in the level 2 above have been determined in accordance with generally accepted pricing models based on a Binominal Model, with the most significant inputs being the share price, volatility, time to maturity, conversion price and dividend yield.

(C) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt (which only includes obligations under finance lease, convertible notes and bond liabilities) and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

Gearing ratio

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. During the year ended 31 December 2013, the Group's strategy, which was unchanged from previous years, was to reduce the gearing ratio. This ratio is calculated based on total debt and owners' equity.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(C) CAPITAL RISK MANAGEMENT *(Continued)*

Gearing ratio *(Continued)*

The gearing ratio as at the year end is as follows:

	2013 HK$'000	2012 HK$'000
Debts #	17,132	39,056
Shareholders' equity	189,669	177,740
Gearing ratio	9.03%	21.97%

Total debts comprise obligations under finance lease, convertible notes and bond liabilities as detailed in Note 34, Note 35 and Note 36.

6. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

The total net segment income is equivalent to total comprehensive income for the year as shown in the consolidated statement of profit or loss and other comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statement of financial position.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment assets consist primarily of property, plant and equipment, inventories, trade and other receivables and cash and bank balances.

Segment liabilities comprise operating liabilities.

Unallocated items mainly comprise financial and corporate assets and liabilities and tax balances.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follow:

- Indirect retail of household products and others (discontinued during the year ended 31 December 2013)
- Provision of funeral services and sale of funeral related products

6. SEGMENT INFORMATION *(Continued)*

(A) Segment revenue and results

An analysis of the Group's revenue and results and certain assets, liabilities and expenditure information for the Group's reportable segments is as follows:

	Continuing operation	
	Provision of funeral services and sale of funeral related products	
	2013	2012
	HK$'000	HK$'000
Segment revenue:		
Sales to external customers	**67,070**	39,165
Segment results	**(25,893)**	(17,083)
Interest income	**2**	181
Unallocated gains	**2,719**	8,079
Change in fair value of derivative financial assets	**(6,441)**	–
Corporate and other unallocated expenses	**(17,240)**	(11,455)
Finance costs	**(16,452)**	(8,000)
Loss before taxation	**(63,305)**	(28,278)
Taxation	**179**	–
Loss for the year	**(63,126)**	(28,278)

There were no inter-segment sales in the year (2012: Nil). Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' salaries, other revenue and gains, gain on disposal of subsidiaries, change in fair value of derivative financial assets, finance costs and income tax expense. This is the measure reported to chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION *(Continued)*

(A) SEGMENT REVENUE AND RESULTS *(Continued)*

	Discontinued operation		Continuing operation			
	Indirect retail of household products		Provision of funeral services and sale of funeral related products		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets and liabilities						
Segment assets	**–**	249,090	**133,886**	120,415	**133,886**	369,505
Corporate and other unallocated assets						
– continued operation					**70,297**	8,189
– discontinued operation					**–**	33
Total assets					**204,183**	377,727
Segment liabilities	**–**	76,656	**3,784**	2,121	**3,784**	78,777
Corporate and other unallocated liabilities					**21,076**	84,015
Total liabilities					**24,860**	162,792

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

- all assets are allocated to operating segments other than financial assets at fair value through profit or loss, derivative financial assets and other corporate assets.
- All liabilities are allocated to operating segments other than convertible notes, bond liabilities, deferred tax liabilities and other corporate liabilities.

6. SEGMENT INFORMATION *(Continued)*

(A) Segment revenue and results *(Continued)*

	Discontinued operation		Continuing operation					
	Indirect retail of household products		Provision of funeral services and sale of funeral related products		Unallocated		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information								
Depreciation of property, plant and equipment	**1,153**	13,163	**910**	527	**18**	26	**2,081**	13,716
Amortisation of long-term prepayments	**2,092**	11,255	**–**	–	**–**	–	**2,092**	11,255
Capital expenditure	**440**	700	**705**	4,027	**2**	75	**1,147**	4,802
Impairment loss of intangible assets	**–**	–	**2,690**	1,013	**–**	–	**2,690**	1,013
Provision for impairment loss of trade receivables	**–**	6,406	**246**	–	**–**	–	**246**	6,406
Provision for impairment loss of prepayments and other receivables	**–**	4,144	**–**	–	**–**	–	**–**	4,144

6. SEGMENT INFORMATION *(Continued)*

(B) Geographical Information

During the year, the Group's turnover was mainly made to customers located at Hong Kong and the PRC. The Group's revenue from external customers and information about its non-current assets by geographical location are detailed bellows.

	Discontinued operation		Continuing operation					
	Indirect retail of household products		Provision of funeral services and sale of funeral related products		Unallocated		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Sales								
Hong Kong	**–**	–	**67,070**	39,165	**–**	–	**67,070**	39,165
The PRC	**55,340**	193,951	**–**	–	**–**	–	**55,340**	193,951
USA	**–**	281	**–**	–	**–**	–	**–**	281
	55,340	194,232	**67,070**	39,165	**–**	–	**122,410**	233,397
Non-current assets								
The PRC	**–**	–	**83,503**	79,996	**–**	–	**83,503**	79,996
Hong Kong	**–**	–	**6,568**	9,500	**18**	59	**6,586**	9,559
	–	–	**90,071**	89,496	**18**	59	**90,089**	89,555

(C) Other information

Revenue from major products

The Group's revenue from its major products are as follows:

	2013 HK$'000	2012 HK$'000
Indirect retail of household products and others	**55,340**	194,232
Provision of funeral services and sale of funeral related products	**67,070**	39,165
	122,410	233,397

6. SEGMENT INFORMATION *(Continued)*

(C) OTHER INFORMATION *(Continued)*

Information about major customers

During the years ended 31 December 2013 and 2012, no revenue from transactions with a single customer amounted to 10% or more of the Group's revenues arising from provision of funeral services and sale of funeral related products of approximately HK$67,070,000 and HK$39,165,000 respectively.

7. TURNOVER AND OTHER REVENUE

The Group's turnover represents the net invoiced value of funeral products sold and services provided for, after allowances for returns and trade discounts, during the year.

An analysis of the Group's turnover and other revenue is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Turnover:		
Continuing operation		
Provision of funeral services and sale of funeral related products	**67,070**	39,165
Discontinued operation		
Indirect retail of household products	**55,340**	194,232
	122,410	233,397
Other revenue:		
Continuing operation		
Bank interest income	**2**	181
Gain on financial assets at fair value through profit or loss	**98**	–
Sundry income	**66**	79
	166	260
Discontinued operation		
Bank interest income	**1**	7
	167	267

8. OTHER NET GAIN AND LOSS

	The Group 2013 HK$'000	2012 HK$'000
Continuing operation		
Gain on modification of convertible notes	340	–
Gain on early redemption of convertible notes	2,151	–
Discount on consideration payable for acquisition of subsidiaries (Note)	–	8,000
Impairment loss of intangible assets (Note 19)	(2,690)	(1,013)
	(199)	6,987

Note:

During the year ended 31 December 2012, subsequent to the completion of acquisition of Profit Value Group Limited (Note 41), the vendor entered into in a supplemental agreement with the Group that the vendor offered a discount on consideration payable of HK$8,000,000 for early settlement arrangement.

9. LOSS FOR THE YEAR FROM CONTINUING OPERATION

The Group's loss for the year from continuing operation is arrived at after charging:

	The Group 2013 HK$'000	2012 HK$'000
Cost of inventories sold	653	766
Auditors' remuneration	650	650
Loss on disposal of property, plant and equipment	9	–
Provision for impairment loss on trade receivables (Note 24)	246	–
Depreciation on owned property, plant and equipment	918	535
Depreciation on property, plant and equipment held under finance lease	10	18
	928	553
Minimum lease payments under operating leases:		
Funeral Parlour	55,800	37,820
Land and buildings	440	831
	56,240	38,651
Employee benefits expenses (excluding directors' remuneration (Note 11)):		
Wages, salaries and other allowances	8,224	7,276
Pension scheme contributions	362	291
	8,586	7,567

10. FINANCE COSTS

	The Group	
	2013	2012
	HK$'000	HK$'000
Continuing operation		
Interests on obligations under finance lease	**2**	2
Interest on convertible notes (note 35)	**12,757**	5,113
Interest on bond liabilities	**267**	–
Interest on other borrowings wholly repayable within five years	**2,303**	2,550
Other interest expense	**1,123**	335
	16,452	8,000

11. DIRECTORS' REMUNERATION

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Fees	**1,660**	1,476
Other emoluments:		
Salaries, allowances and benefits in kind	**331**	205
Pension scheme contributions	**15**	10
	2,006	1,691

During the years ended 31 December 2013 and 2012, none of the directors were granted share options under the share option scheme operated by the Company.

(A) Independent non-executive directors

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

	2013	2012
	HK$'000	HK$'000
Mr. Liu Qing Chen	**108**	108
Ms. Tan Xiao Yan (appointed on 4 January 2013)	**24**	–
Mr. Yang Dongli (resigned on 4 January 2013)	**–**	24
Mr. Zhang Chun Qiang (appointed on 24 Feb 2012)	**24**	20
Mr. Yang Jie (resigned on 24 February 2012)	**–**	4
	156	156

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

11. DIRECTORS' REMUNERATION *(Continued)*

(B) EXECUTIVE DIRECTORS

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013				
Executive directors:				
Mr. Li Ge (Note)	**1,366**	**–**	**–**	**1,366**
Mr. Sun Miguel	**–**	**248**	**12**	**260**
Mr. Cheng Wai Keung (appointed on 23 August 2013)	**–**	**83**	**3**	**86**
Mr. Wang He Dong (appointed on 26 March 2013 and resigned on 23 August 2013)	**108**	**–**	**–**	**108**
Mr. Zhao Guo Wei (resigned on 26 March 2013)	**30**	**–**	**–**	**30**
	1,504	**331**	**15**	**1,850**
2012				
Executive directors:				
Mr. Zhao Guo Wei	120	–	–	120
Mr. Li Ge (Note)	1,200	–	–	1,200
Mr. Sun Miguel (appointed on 24 February 2012)	–	205	10	215
	1,320	205	10	1,535

Note:

Mr. Li Ge is also the Chief Executive of the Company during the years ended 31 December 2013 and 2012.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2013 (2012: Nil).

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2012: Nil).

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2012: one) director, details of whose remuneration are set out in Note 11 above. Details of the remuneration of the remaining four (2012: four) non-director, highest paid employees for the year are as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,304**	1,745
Pension scheme contributions	**58**	44
	2,362	1,789

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2013	2012
Nil to HK$1,000,000	**4**	4

During the years ended 31 December 2013, no share options were granted to non-director, highest paid employees in respect of their services to the Group (2012: Nil).

No emoluments were paid by the Group to non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil).

13. TAXATION

No provision for Hong Kong profits tax has been made during the year as the Group has no assessable profits arising in Hong Kong (2012: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof (2012: Nil).

	The Group	
	2013	2012
	HK$'000	HK$'000
Continuing operation		
Current taxation – Hong Kong	**–**	–
Current taxation – PRC	**–**	–
Deferred taxation (Note 37)	**(179)**	–
Tax credit for the year	**(179)**	–

13. TAXATION *(Continued)*

	The Group	
	2013	2012
	HK$'000	HK$'000
Discontinued operation		
Current taxation – Hong Kong	**–**	–
Current taxation – PRC	**124**	–
Deferred taxation	**–**	–
Tax charge for the year	**124**	–

A reconciliation between tax expense and accounting loss at appreciate tax rates is set out below:

	2013		2012	
	HK$'000	**%**	HK$'000	%
(Loss)/profit before taxation				
– continuing operation	**(63,305)**		(28,278)	
– discontinued operation	**29,480**		(67,955)	
	(33,825)		(96,233)	
National tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	**(6,364)**	**(18.8)**	(20,714)	(21.5)
Tax effect of expenses not deductible for tax purpose	**4,214**	**12.5**	7,905	8.2
Tax effect of income not taxable for tax purpose	**(5,509)**	**(16.3)**	(5,591)	(5.8)
Tax effect of unrecognised temporary difference	**–**	**–**	(33)	(0.0)
Tax loss not recognised	**7,659**	**22.6**	18,433	19.1
Under provision in prior years	**124**	**0.4**	–	–
Tax effect of temporary differences recognised	**(179)**	**(0.6)**	–	–
Tax credit for the year at the Group's effective rate	**(55)**	**(0.2)**	–	–

DEFERRED TAXATION

Deferred tax assets have not been recognised in respect of the following items:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax losses	**37,616**	16,543	**17**	17

The above tax losses are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

14. DISCONTINUED OPERATION

Disposal of indirect household products operation

On 4 February 2013, General Asia Holdings Limited (the "Vendor"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the "Purchaser") pursuant to which the Purchaser agreed to acquire and the Vendor has agreed to sell the 7,500 ordinary shares (the "Sale Shares") of Trader Group International Limited (the "Target Company") of US$1.00 each, representing 75% of the entire issued share capital of the Target Company, for a total consideration of HK$70,000,000. Langfang Huari Hengyu Home Co., Ltd., the wholly-owned subsidiary of the Target Company incorporated in the PRC is mainly engaged in the manufacturing and sales of household products. Details of the above transaction were set out in the Company's announcement dated 6 March 2013. The dipsosal was completed at 24 May 2013.

The profit/(loss) from the discontinued operation which has been included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows are set out below:

	2013 HK$'000	2012 HK$'000
Profit/(loss) for the year from discontinued operation		
Turnover	55,340	194,232
Cost of sales	(46,273)	(207,262)
Other revenue	1	7
Other income	–	(9,399)
Selling and distribution costs	(2,650)	(18,062)
Administrative expenses	(8,619)	(27,471)
Loss before taxation	(2,201)	(67,955)
Taxation	(124)	–
Loss for the year	(2,325)	(67,955)
Gain on disposal of subsidiaries (Note 42 (a))	31,681	–
Profit/(loss) for the year from discontinued operation	29,356	(67,955)
Profit/(loss) for the year from discontinued operation attributable to:		
Owners of the Company	29,937	(57,845)
Non-controlling interest	(581)	(10,110)
	(29,356)	(67,955)
Profit/(loss) for the year from discontinued operation includes the following:		
Depreciation on owned property, plant and equipment	1,153	13,163
Amortisation of long-term prepayments	2,092	11,255

14. DISCONTINUED OPERATION *(Continued)*

	2013 HK$'000	2012 HK$'000
Cash flows from discontinued operation		
Net cash outflow from operating activities	**(3,153)**	(34,292)
Net cash (outflow)/inflow from investing activities	**(438)**	23,359
Net cash inflow from financing activities	**–**	77
Effects of exchange rate changes on the balance of cash held in foreign currencies	**3,554**	167
Net cash outflows	**(37)**	(10,689)

15. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the year ended 31 December 2013 included a loss of approximately HK$27,651,000 (excluding reversal of impairment loss of inter-company balances, waiver loss and impairment loss of inter-company balances) (2012: loss of HK$16,031,000) which has been dealt with in the financial statements of the Company.

16. DIVIDENDS

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 31 December 2013 (2012: Nil).

17. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the year.

	2013 HK$'000	2012 HK$'000
Continuing and discontinued operations		
Loss attributable to owners of the Company, used in the basic loss per share calculation from continuing and discontinued operations	**(28,764)**	(80,210)
Continuing operation		
Loss attributable to owners of the Company, used in the basic loss per share calculation from continuing operation	**(58,701)**	(22,365)
	'000	'000 (restated)
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation (Note)	**301,907**	175,836

Note:

On 29 August 2013, the Company implemented share consolidation (Note 38) and the weighted average number of ordinary shares in issue used in the basic loss per share calculation during the year ended 31 December 2012 was adjusted retrospectively.

DISCONTINUED OPERATION

Basic and diluted earnings per share for the discontinued operation is HK9.9 cents per share (2012: Loss HK32.9 cents per share).

Diluted loss per share for the years ended 31 December 2013 and 2012 was the same as basic loss per share as there was no dilutive potential ordinary share. The Company's outstanding share options and convertible notes were not included in the calculation of diluted loss per share because the effect of the Company's outstanding share options and convertible notes was anti-dilutive.

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Plant and machinery HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Office and computer equipment HK$'000	Total HK$'000
Cost:						
At 1 January 2012	99,631	52	204	5	6,786	106,678
Additions	147	3,249	220	165	1,021	4,802
Disposals	–	–	–	–	(102)	(102)
Reclassified as held for sale	(100,317)	–	(205)	–	(6,978)	(107,500)
Exchange realignment	539	–	1	–	34	574
At 31 December 2012 and 1 January 2013	–	3,301	220	170	761	4,452
Additions	–	120	–	2	585	707
Disposals	–	–	–	–	(49)	(49)
Disposals through disposals of subsidiaries	–	–	–	–	(108)	(108)
At 31 December 2013	–	3,421	220	172	1,189	5,002
Accumulated depreciation and impairment:						
At 1 January 2012	75,099	52	134	5	5,270	80,560
Charge for the year	12,334	429	64	22	867	13,716
Disposals	–	–	–	–	(102)	(102)
Reclassified as held for sale	(87,839)	–	(168)	–	(5,705)	(93,712)
Exchange realignment	406	–	–	–	25	431
At 31 December 2012 and 1 January 2013	–	481	30	27	355	893
Charge for the year	–	677	45	34	172	928
Disposals	–	–	–	–	(12)	(12)
Disposals through disposal of subsidiaries	–	–	–	–	(83)	(83)
At 31 December 2013	–	1,158	75	61	432	1,726
Carrying amount:						
At 31 December 2013	**–**	**2,263**	**145**	**111**	**757**	**3,276**
At 31 December 2012	–	2,820	190	143	406	3,559

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

The Company

	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Office and computer equipment HK$'000	Total HK$'000
Cost:				
At 1 January 2012, 31 December 2012 and 1 January 2013	52	1	219	272
Transfer from a subsidiary	–	10	15	25
At 31 December 2013	52	11	234	297
Accumulated depreciation:				
At 1 January 2012, 31 December 2012 and 1 January 2013	52	1	219	272
Charge for the year	–	2	5	7
At 31 December 2013	52	3	224	279
Carrying amount:				
At 31 December 2013	**–**	**8**	**10**	**18**
At 31 December 2012	–	–	–	–

The net book value of the Group's office and computer equipment held under finance lease as at 31 December 2013 was approximately HK$nil (2012: HK$74,000).

During the year ended 31 December 2013, addition of the Group's office and computer equipment held under finance lease was approximately HK$nil (2012: HK$92,000).

19. INTANGIBLE ASSETS

The Group

	Funeral Parlour Licence and Undertaker's Licence HK$'000 (Note (i))	Sub-contracting Agreement HK$'000 (Note (ii))	Undertaker's Trademarks HK$'000 (Note (iii))	Licence HK$'000 (Note (iv))	Total HK$'000
Cost:					
At 1 January 2012	–	–	9,765	1,013	10,778
Addition	6,000	–	–	–	6,000
Additions through acquisition of a subsidiary (Note 41)	–	79,996	–	–	79,996
Reclassified as held for sale	–	–	(9,765)	–	(9,765)
At 31 December 2012 and 1 January 2013	6,000	79,996	–	1,013	87,009
Exchange alignment	–	3,507	–	–	3,507
At 31 December 2013	6,000	83,503	–	1,013	90,516
Accumulated amortisation and impairment:					
At 1 January 2012	–	–	9,765	–	9,765
Reclassified as held for sale	–	–	(9,765)	–	(9,765)
Impairment loss recognised	–	–	–	1,013	1,013
At 31 December 2012 and 1 January 2013	–	–	–	1,013	1,013
Impairment loss recognised	2,690	–	–	–	2,690
At 31 December 2013	2,690	–	–	1,013	3,703
Carrying amount:					
At 31 December 2013	**3,310**	**83,503**	**–**	**–**	**86,813**
At 31 December 2012	6,000	79,996	–	–	85,996

19. INTANGIBLE ASSETS *(Continued)*

Notes:

(i) The Funeral Parlour Licence and the Undertaker's Licence represent the rights granted to the Group by the Food and Environmental Hygiene Department of Hong Kong for carrying on the business of a funeral parlour and an undertaker of burials for an indefinite period of time. Such intangible asset is carried at cost less accumulated impairment losses. The recoverable amount of the intangible asset has been determined based on a value in use calculation. Impairment loss of HK$2,690,000 (2012: HK$Nil) was recognised during the year as the provision for funeral services business does not operate as previously expected. As the recoverable amount was reduced to HK$3,310,000, any adverse change in the assumptions used in the calculation of the recoverable amount would result in further impairment loss.

The recoverable amount was determined on discounted cash flow method. The calculation uses cash flow projections based on financial budgets approved by the management covering a 5-year (2012: 5-year) period. The discount rate applied was approximately 21.48% (2012: 22.05%).

The Funeral Parlour Licence and the Undertaker's Licence associated with the rights for carrying on the business of a funeral parlour and an undertaker of burials are renewable by the Food and Environmental Hygiene Department. The directors of the Company are not aware of any expected impediment with respect to the renewal of the licences and consider that the possibility of failing in licences renewal is remote. Therefore, the directors of the Company consider that the intangible assets are treated as having indefinite useful lives.

(ii) On 15 December 2011, an indirect wholly-owned subsidiary of the Company, EMAX Venture Limited (the "Purchaser") entered into the sale and purchase agreement with Mr. Lau Chi Yan, Pierre (the "Vendor") pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital and the amount of shareholder's loan of Profit Value Group Limited (the "Target") to the Vendor at the date of completion at a total consideration of HK$80,000,000 in cash (the "consideration") (collectively refer as the "Acquisition"). The Acquisition was completed on 10 April 2012. The Sub-contracting Agreement represents the agreement entered into between 明德堂貿易（深圳）有限公司 (transliterated as "Ming De Tang Trading (Shenzhen) Limited Company"), an wholly-owned subsidiary of the Target incorporated in the PRC, and 惠東縣華僑墓園管理公司 (transliterated as "Huidong County Huaqiao Cemetery Management Company") pursuant to which Ming De Tang Trading (Shenzhen) Limited Company is the sole subcontractor of the Huidong County Huaqiao Cemetery Management Company responsible for the provision of all funeral-related services and products, and assistance necessary for the operation of a licensed commercial cemetery located at Huidong County, Huizhou City, Guangdong Province to the Huidong County Huaqiao Cemetery Management Company. The agreement has a 30 years term from 1 December 2011 to 30 November 2041. Such intangible asset is carried at cost less accumulated amortisation and impairment losses. The intangible asset is amortised over the unit of production method. Since the intangible asset is not ready for operation, no amortisation is provided for the year.

Based on the estimation of the directors, no impairment loss in respect of the Sub-contracting Agreement was recognised during the years ended 31 December 2013 and 2012, in which the recoverable amount was determined on discounted cash flow method. The calculation uses cash flow projections based on financial budgets approved by the management covering a 12-year (2012: 12-year) period. The discount rate applied was approximately 18.85% (2012: 21.06%).

(iii) The Undertaker's Trademarks have definite useful lives and are amortised on a straight line basis over 5 – 10 years.

(iv) The Licence represents the rights granted to the Group by the Food and Environmental Hygiene Department of Hong Kong for carrying on the business of an undertaker of burials for an indefinite period of time. Such intangible asset is carried at cost less accumulated impairment losses. The recoverable amount of the intangible asset has been determined based on a value in use calculation.

The directors of the Company did not seek for renewal of the Undertaker's Licence after the expiry date on 12 April 2013. In the opinion of the directors, the intangible assets associated with the Undertaker's Licence has been fully impaired as at 31 December 2013 and 2012.

20. LONG-TERM PREPAYMENTS

The Group

The long-term prepayments represent the rental prepayments of trademarks, production plant and exhibition halls to Lang Fang Huari Furniture Joint Stock Co., Ltd.

	HK$'000
Carrying amount:	
At 1 January 2012	16,074
Amortise for the year	(11,255)
Reclassified as held for sale	(4,908)
Exchange realignment	89
At 31 December 2012, 1 January 2013 and 31 December 2013	–

As described in Note 14, the Group decided to dispose its indirect household products and other operation. The Group was actively seeking for the buyers during the year ended 31 December 2012. Therefore, the rental prepayments of trademarks were reclassified as held for sale as at 31 December 2012.

21. INTERESTS IN SUBSIDIARIES

	The Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**78**	78
Less: Provision for impairment loss of investment cost (Note (i))	**(78)**	(78)
	–	–
Amounts due from subsidiaries (Note (ii))	**126,216**	82,883
Less: Provision for impairment loss of amounts due from subsidiaries	**(93,782)**	(61,322)
	32,434	21,561

21. INTERESTS IN SUBSIDIARIES *(Continued)*

Movement in provision for impairment loss of amounts due from subsidiaries is as follows:

	The Company	
	2013	2012
	HK$'000	HK$'000
Balance at the beginning of the year	**61,322**	48,177
Provision for impairment loss of amounts due from subsidiaries (Note (iii))	**55,634**	14,930
Reversal of provision for impairment loss of amounts due from subsidiaries (Note (iv))	**(23,174)**	(1,785)
Balance at the end of the year	**93,782**	61,322

Notes:

(i) In view of the accumulated losses and net liabilities position of the Company's subsidiaries as at 31 December 2013 and 2012, the directors of the Company considered that the investment cost would not be recoverable, and thus they concluded that it is appropriate to make provision for impairment loss of investment costs.

(ii) The amounts due from subsidiaries included in the Company's current assets are unsecured, interest-free and recoverable on demand.

(iii) In view of the accumulated losses and net liabilities position of the Company's subsidiaries as at 31 December 2013 and 2012, the directors of the Company considered that the carrying amounts of the amounts due from subsidiaries exceeds the recoverable amount, and thus, they concluded that it is appropriate to make provision for impairment in values in respect of the amounts due from subsidiaries.

(iv) The reversal of provision for impairment loss of amounts due from subsidiaries represents the recovery of amounts due from subsidiaries which provision for impairment was previously made.

(v) In addition, the directors of the Company made an assessment as at the date of initial application of HKFRS 12 and at the end of the reporting period. In the opinion of the directors, there is no subsidiary that has non-controlling interest individually that are material to the Group and therefore no information is disclosed for these non-wholly owned subsidiaries.

21. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's subsidiaries as at 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Group	Percentage of voting power held	Principal activities and place of operation
EMAX Venture Limited	British Virgin Islands, limited liability company	US$1	100%	100%	Inactive, Hong Kong
General Asia Holdings Limited	British Virgin Islands, limited liability company	US$1	100%	100%	Investment holding, Hong Kong
Able Profit (Hong Kong) Limited	Hong Kong, limited liability company	HK$1	100%	100%	Provision of funeral services and sale of funeral related products, Hong Kong
South China Memorial Park & Funeral Service Limited	Hong Kong, limited liability company	HK$10,000	60%	60%	Provision of funeral services and sale of funeral related products, Hong Kong
Most Fame (China) Limited	Hong Kong, limited liability company	HK$1	100%	100%	Inactive, Hong Kong
Profit Value Group Limited*	British Virgin Island, limited liability company	US$1	100%	100%	Investment holding, Hong Kong
The Shrine of Nansha Limited*	Hong Kong, limited liability company	HK$1	100%	100%	Investment holding, Hong Kong
Ming De Tang Trading (Shenzhen) Limited	the PRC Island, limited company*	HK$1,000,000	100%	100%	Inactive, the PRC

* Profit Value Group Limited, The Shrine of Nansha Limited, and Ming De Tang Trading (Shenzhen) Limited Company were acquired on 10 April 2012.

22. INVENTORIES

	The Group	
	2013	2012
	HK$'000	HK$'000
Finished goods	**367**	138

As at 31 December 2013, no write-down of inventories of the Group to net realisable value was made (2012: Nil).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2013	2012
	HK$'000	HK$'000
Investment at fair value	**–**	3,129

The above investment was classified as fair value through profit or loss on initial recognition under current asset as the maturity is less than one year of the end of the reporting period.

As at 31 December 2012, the financial assets at fair value through profit or loss represent a participation note linked to certain bonds, benefit rights of trusts and currencies tools in the PRC.

The participation note was matured in February 2013. This participation note is 100% principal and interest protected at maturity, noteholders will get back at least their capital invested and certain percentage of interest if they hold the notes to maturity. The host contract of this investment is a debt instrument and the embedded derivative is an option tied to changes in the underlying value of certain bonds, benefit rights of trusts and currencies tools. As the contract contains an embedded derivative, the directors have designated the investment as a financial asset at fair value through profit or loss.

This participation note is not publicly traded and in the absence of readily available information to determine the fair value of this investment, the Company has adopted the indicative market value provided by the issuer as its best estimate of the fair value of this investment.

24. TRADE RECEIVABLES

The average credit period on sales of goods is 30 days (2012: 30 days). In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

	The Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**923**	315
Less: Provision for impairment loss of trade receivables	**(246)**	–
	677	315

24. TRADE RECEIVABLES *(Continued)*

As at 31 December 2013, the Group's trade receivables of approximately HK$246,000 (2012: Nil) were individually determined to be impaired. The individual impaired receivables related to customers that were in financial difficulties and management assessed that the receivables were not expected to be recovered. The Group does not hold any collateral over these balances.

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

	The Group	
	2013	2012
	HK$'000	HK$'000
0 – 30 days	**–**	315
31 – 60 days	**–**	–
61 – 90 days	**–**	–
91 – 180 days	**101**	–
Over 180 days	**576**	–
	677	315

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately HK$677,000 (2012: Nil) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

An ageing analysis of trade receivables which are past due but not impaired is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
0 – 30 days	**–**	315
31 – 60 days	**–**	–
61 – 90 days	**38**	–
91 – 180 days	**108**	–
Over 180 days	**531**	–
	677	315

24. TRADE RECEIVABLES *(Continued)*

Movement in provision for impairment loss of trade receivables is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Balance at the beginning of the year	**–**	9,675
Reversal of provision for impairment loss	**–**	(777)
Provision for impairment loss of trade receivables	**246**	6,406
Exchange realignment	**–**	52
Reclassified as held for sale	**–**	(15,356)
Balance at the end of the year	**246**	–

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit were initially granted up to the reporting date. Accordingly, the directors considered impairment loss is values to be made in respect of trade receivables to their recoverable values and believed that there is no further credit provision required in excess of the allowance for doubtful debts.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**9,049**	1,735	**246**	285
Other deposits and receivables	**2,943**	140	**–**	–
Consideration receivable on disposal of subsidiaries (Note 42(a))	**68,732**	–	**–**	–
	80,724	1,875	**246**	285

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Movement in provision for impairment loss of prepayments and other receivables is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Balance at the beginning of the year	**–**	13,445
Reversal of provision for impairment loss	**–**	(376)
Provision for impairment loss of prepayments and other receivables	**–**	4,144
Exchange realignment	**–**	72
Reclassified as held for sale	**–**	(17,285)
Balance at the end of the year	**–**	–

26. CASH AND BANK BALANCES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**3,843**	5,352	**949**	35
Cash and bank balances included in a disposal group classified as held for sale	**–**	13,906	**–**	–
	3,843	19,258	**949**	35

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$nil (2012: HK$16,311,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

27. PLEDGED BANK DEPOSITS

As at 31 December 2013 and 2012, the Group's bank deposits of approximately HK$28,240,000 denominated in HKD were pledged as security for the Group's credit facilities granted by a bank.

28. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group	
	2013	2012
	HK$'000	HK$'000
		(Note (i))
Property, plant and equipment	**–**	13,788
Inventories	**–**	98,343
Trade receivables	**–**	45,503
Prepayments, deposits and other receivables	**–**	77,583
Cash and bank balances	**–**	13,906
Assets classified as held for sale	**–**	249,123
Trade payables	**–**	33,828
Other payables and accruals	**–**	10,538
Receipts in advance	**–**	32,290
Liabilities directly associated with assets classified as held for sale	**–**	76,656
Net assets classified as held for sale	**–**	172,467

Notes:

(i) As described in Note 14, on 4 February 2013, a direct wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party for the disposal of indirect household products operation. As at 31 December 2012, all assets and liabilities of the indirect household products operation were classified as held for sale. The disposal was completed on 24 May 2013 as set out in Note 42(a).

29. TRADE PAYABLES

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

	The Group	
	2013	2012
	HK$'000	HK$'000
0 – 30 days	**37**	362
31 – 60 days	**39**	–
61 – 90 days	**–**	–
91 – 180 days	**–**	–
Over 180 days	**5**	–
	81	362

30. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Consideration payable on acquisition of subsidiaries (Note 41)	**–**	27,000	**–**	–
Other loan	**–**	4,000	**–**	4,000
Other payables	**1,745**	1,478	**–**	–
Accruals	**2,534**	2,527	**1,184**	2,465
	4,279	35,005	**1,184**	6,465

31. RECEIPTS IN ADVANCE

	The Group	
	2013	2012
	HK$'000	HK$'000
Receipts in advance	**607**	670

The amounts are sales deposits received from customers and are expected to be settled or recognised as income within one year.

32. AMOUNTS DUE TO DIRECTORS

The Group and the Company

The amounts due to directors are unsecured, interest-free and repayable on demand.

33. AMOUNT DUE TO A SHAREHOLDER

The Group

The amount due to a shareholder is unsecured, interest-free and repayable on demand.

34. OBLIGATION UNDER FINANCE LEASE

At 31 December 2013 and 2012, the total future minimum lease payments under finance lease and their present values are as follows:

The Group

	Minimum lease payments 2013 HK$'000	Minimum lease payments 2012 HK$'000	**Present value of minimum lease payments 2013 HK$'000**	Present value of minimum lease payments 2012 HK$'000
Amount payable:				
Within one year	–	26	–	24
In the second to fifth years, inclusive	–	56	–	51
Total minimum finance lease payments	–	82	–	75
Future finance charges	–	(7)		
Total net finance lease payables	–	75		
Portion classified as current liabilities	–	(24)		
Non-current liabilities	–	51		

During the year ended 31 December 2012, it is the Group's policy to lease certain of its property, plant and equipment under finance leases. The weighted average effective interest rate on finance lease was approximately 2% per annum and the term entered into ranged from three to five years. Interest rate is fixed at the contract rate. The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

35. CONVERTIBLE NOTES

The Group and the Company

The convertible notes issued have been split as to the derivative financial assets component (Redemption option derivatives embedded in convertible notes), the financial liability component (Convertible notes liabilities) and the equity component (Convertible notes reserve). The movements of the equity component are presented in the consolidated statement of changes in equity of the consolidated financial statements. The followings tables summarise the movements of derivative financial assets and financial liability components during the years ended 31 December 2013 and 2012.

	Convertible Notes 1 HK$'000	Convertible Notes 2 HK$'000	Total HK$'000
Derivative financial assets:			
At 1 January 2012, 31 December 2012 and 1 January 2013	–	–	–
Issue of convertible notes	–	10,355	10,355
Recognition upon modification of convertible notes	2,160	–	2,160
Fair value change	(1,739)	(4,702)	(6,441)
Early redemption of convertible notes	(421)	(534)	(955)
Conversion of convertible notes	–	(4,876)	(4,876)
At 31 December 2013	**–**	**243**	**243**

	Convertible Notes 1 HK$'000	Convertible Notes 2 HK$'000	Total HK$'000
Financial liability component:			
At 1 January 2012	–	–	–
Issue of convertible notes	34,571	–	34,571
Imputed interest	5,113	–	5,113
Coupon interest	(4,703)	–	(4,703)
At 31 December 2012 and 1 January 2013	34,981	–	34,981
Issue of convertible notes	–	22,897	22,897
Recognition upon modification of convertible notes	97,581	–	97,581
Transaction costs attributable to issue of convertible notes	–	(244)	(244)
Imputed interest	11,671	1,086	12,757
Coupon interest	(11,295)	–	(11,295)
Early redemption of convertible notes	(11,408)	(8,188)	(19,596)
Conversion of convertible notes	–	(11,419)	(11,419)
Expiry of convertible notes	(23,530)	–	(23,530)
Derecognition upon modification of convertible notes	(98,000)	–	(98,000)
At 31 December 2013	**–**	**4,132**	**4,132**

35. CONVERTIBLE NOTES *(Continued)*

Convertible Notes 1

On 6 September 2012, the Company issued HK$35,000,000 carries at 42% Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK$35,000,000 ("Convertible Notes 1"). Each note entitles the holder to convert to ordinary shares at a conversion price of HK$0.10.

Conversion may occur at any time before maturity date of Convertible Notes 1. The Company will redeem the convertible notes if the notes have not been converted on maturity date, or subject to the agreement between the noteholder and the Company. Interest of 42% will be paid monthly until the notes are converted or redeemed.

On 5 May 2013, the Company and the noteholder entered into a supplementary agreements to extend the conversion period to 6 August 2013, or subject to agreement between the noteholder and the Company, extended to 5 November 2013. Interest of 42% will be paid monthly until the notes are converted or redeemed. The complementary agreements also granted the Company shall have the right to redeem the whole or part of the outstanding principal amount of the Convertible Notes 1 prior to the maturity date of the Convertible Notes 1.

Before 5 May 2013, the Convertible Notes 1 contain two components: financial liability component and equity component. The financial liability component is classified as current liabilities and carried at amortised costs using effective interest method. The residual value after recognising the financial liability component is classified as equity component.

After 5 May 2013, the Convertible Notes 1 contain three components: financial liability component, equity component and derivative financial asset component. The financial liability component is classified as current liabilities, initially recognised at fair value and carried at amortised costs using effective interest method. The derivative financial asset component is classified as current assets and carried at fair value. The residual value after recognising the financial liability component and derivative financial asset component is classified as equity component. The equity component is presented in equity heading "convertible notes reserve".

The effective interest rate of the financial liability component on initial recognition is as follows:

For the period	
6 September 2012 to 5 January 2013	46.04%
6 January 2013 to 5 May 2013	42.40%
6 May 2013 to 5 August 2013	43.60%
6 August 2013 to 5 November 2013	45.79%

During the year ended 31 December 2013, all of the Convertible Notes 1 were settled as follows:

During the year ended 31 December 2013, the Convertible Notes 1 with principal amount of HK$11,470,000 was early redeemed. The excess of the fair value of the consideration to settle the Convertibles Note 1 over the carrying value of the financial liability component of the redeemed portion of the convertible notes of approximately HK$10,000 was recognised by the Group as a gain on early redemption of convertible notes and debited to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013.

During the year ended 31 December 2013, the outstanding principal amount of HK$23,530,000 was repaid on maturity date.

The fair value of financial liability component, derivative financial asset component and equity component on initial recognition or extension of conversion period was estimated to be approximately as follows:

	As at 6 September 2012 HK$'000	**As at 6 January 2013** HK$'000	**As at 6 May 2013** HK$'000	**As at 6 August 2013** HK$'000
Financial liability component	34,571	34,957	34,870	27,754
Derivative financial asset component	–	–	(2,055)	(105)
Equity component	429	43	2,089	107
	35,000	35,000	34,904	27,756

35. CONVERTIBLE NOTES *(Continued)*

Convertible Notes 1 *(Continued)*

In valuing the derivative financial asset component, the Binominal Model was used.

The inputs used for calculation of the fair value of the derivative financial asset component were as follows:

	As at 6 May 2013	**As at 6 August 2013**
Volatility	86.90%	91.89%
Time to maturity	3 months	3 months
Share price	HK$0.07	HK$0.04
Conversion price	HK$0.10	HK$0.10
Dividend yield	0	0
Risk-free rate	0.10%	0.12%

Convertible Notes 2

On 14 May 2013, the Company issued HK$60,000,000 zero coupon Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK$60,000,000 ("Convertible Notes 2"). Each note entitles the holder to convert to ordinary shares at a conversion price of HK$0.0673. The convertible note will mature on 13 May 2020.

The agreements granted the Company shall have the right to redeem the whole or part of the outstanding principal amount of the Convertible Notes 2 prior to the maturity date of the Convertible Notes 2.

The Convertible Notes 2 contain three components: financial liability component, equity component and derivative financial asset component. The financial liability component is classified as current liabilities and carried at amortised cost using the effective interest method. The derivative financial asset component is classified as current asset and carried at fair value. The residual amount after recognising the financial liability component and derivative financial asset component at fair value are recognised as equity component.

The interest charged for the year is calculated using the effective interest method by applying the effective interest rate of 14.93% to the financial liability component.

The conversion price of the convertible notes has been adjusted from HK$0.0673 per ordinary share to HK$0.673 ordinary share as a result of share consolidation effective from 29 August 2013.

In valuing the derivative financial asset component, the Binominal Model was used.

The fair value of the financial liability component, derivative financial asset component and equity component on initial recognition was estimated to be approximately as follows:

	As at 14 May 2013 HK$'000
Financial liability component	22,897
Derivative financial asset component	(10,355)
Equity component	47,458
	60,000

35. CONVERTIBLE NOTES *(Continued)*

Convertible Notes 2 *(Continued)*

During the year ended 31 December 2013, the Convertible Notes 2 with principal amount of HK$20,000,000 was early redeemed. The excess of the fair value of the consideration to settle the Convertible Notes 2 over the carrying value of the financial liability component of the redeemed portion of the convertible notes of approximately HK$2,141,000 was recognised by the Group as a gain on early redemption of convertible notes and credited to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013.

During the year ended 31 December 2013, the Convertible Notes 2 with principal amount of HK$30,000,000 was converted at conversion price of HK$0.0673 per ordinary share.

The inputs used for the calculation of the fair values of the derivative financial asset component were as follows:

	As at 14 May 2013	**As at 31 December 2013**
Volatility	88.96%	86.40%
Time to maturity	7 years	6.37 years
Share price	HK$0.06	HK$0.07
Conversion price	HK$0.0673	HK$0.673
Dividend yield	0	0
Risk-free rate	0.67%	1.78%

The remaining Convertible Notes 2 with principal amount of HK$10,000,000 was early redeemed subsequent to 31 December 2013. Hence, the amount is classified as current liabilities in the statement of financial position as at 31 December 2013.

36. BOND LIABILITIES

THE GROUP AND THE COMPANY

As at 31 December 2013, the Group's bond liabilities with carrying amount of HK$13,000,000 carried interest at fixed rate of 8.00% per annum. The bond liabilities were unsecured and were repayable within two to three years.

37. DEFERRED TAX LIABILITIES

THE GROUP AND THE COMPANY

	Convertible notes HK$'000
At 1 January 2012, 31 December 2012 and 1 January 2013	–
Issue of convertible notes	6,162
Credited to consolidated statement of profit or loss and other comprehensive income (Note 13)	(179)
Conversion of convertible notes	(3,065)
Early redemption of convertible notes	(1,950)
At 31 December 2013	**968**

38. SHARE CAPITAL

Ordinary shares

	Par value HK$	Number of shares '000	Share capital HK$'000
Authorised:			
At 1 January 2012, 31 December 2012 and 1 January 2013	0.002	250,000,000	500,000
Share consolidation (Note (iii))		(225,000,000)	–
At 31 December 2013	0.02	25,000,000	500,000
Issued and fully paid:			
At 1 January 2012, 31 December 2012 and 1 January 2013	0.002	1,758,356	3,517
Conversion of shares (Note (i))	0.002	445,765	891
Issue of shares by placing (Note (ii))	0.002	70,000	140
Share consolidation (Note (iii))		(2,046,709)	–
Issue of shares by open offer (Note (iv))	0.02	909,648	18,193
At 31 December 2013	**0.02**	**1,137,060**	**22,741**

Notes:

(i) On 23 May 2013, the Company issued 297,176,820 shares of HK$0.002 each at a conversion price of HK$0.0673 per conversion share and on 25 June 2013, the Company issued 148,588,410 shares of HK$0.002 each at a conversion price of HK$0.0673 per conversion share.

(ii) On 22 July 2013, CNI Securities Group Limited (the "Placing Agent") and the Company entered into the placing agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, of 70,000,000 placing shares to not fewer than six placees at a placing price of HK$0.0446 who and whose ultimate beneficial owners will not be connected persons of the Company and its connected persons.

(iii) On 29 August 2013, the Company implemented share consolidation on the basis that every 10 issued and unissued shares of HK$0.002 each will be consolidated into 1 consolidated share of HK$0.02 each.

(iv) On 22 November 2013, the Company implemented open offer at the subscription price of HK$0.10 per offer share on the basis of 4 offer shares for every 1 existing share held on the record date.

All ordinary shares rank equally with regard to the Company's residual assets.

Share options

Details of the Company's share option scheme are included in Note 39 to the consolidated financial statements.

39. SHARE OPTION SCHEME

Share options

Pursuant to the share option scheme adopted by the shareholders of the Company on 24 May 2002 (the "Old Share Option Scheme"), the Board of the Company may for a consideration of HK$1 offer to selected eligible persons to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the Board of the Company in its absolute discretion, in any event, shall not be less than the higher of the nominal value for the time being of each share of the Company, the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which the relevant option is granted and the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date on which the relevant option is granted.

The maximum number of shares in respect of which options may be granted under the Old Share Option Scheme and other schemes of the Company may not, in aggregate, exceed 30% of the issued share capital of the Company from time to time which have been duly allotted and issued.

The Old Share Option Scheme became effective for a period of ten years commencing 24 May 2002 (the date on which the Old Share Option Scheme was adopted).

As at 31 December 2013, there was no (2012: no) outstanding share options issued by the Company under the Old Share Option Scheme.

On 9 December 2010, the Company adopted the new share option scheme (the "New Share Option Scheme"). Pursuant to the New Share Option Scheme, the Board of the Company may for a consideration of HK$1 offer to selected eligible persons to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the Board of the Company in its absolute discretion, in any event, shall not be less than the higher of the nominal value for the time being of each share of the Company, the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the relevant option is granted and the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date on which the relevant option is granted.

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and other schemes of the Company may not, in aggregate, exceed 30% of the issued share capital of the Company from time to time which have been duly allotted and issued.

The New Share Option Scheme became effective for a period of ten years commencing on 9 December 2010 (the date on which the New Share Option Scheme was adopted).

At the date of approval of these consolidated financial statements, no share options had been granted under the New Share Option Scheme.

40. RESERVES

(A) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 33 of the consolidated financial statements.

The Group's contributed surplus as at 31 December 2013 and 2012 represents the amount of HK$36,000,000 transfer from share capital due to a capital reduction in the year ended 31 December 2001.

Subsidiaries of the Company established in the PRC shall appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law. When the balance of such reserve fund reaches 50% of the entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior year's losses or to increase capital after proper approval.

Apart from the above, subsidiaries are also required to appropriate its annual statutory net profit (after offsetting any prior years' losses) to the statutory welfare fund to be utilised for employees' common welfare in accordance with the PRC Company Law. The directors recommended that 5% of statutory net profit for the entity should be appropriated to this reserve.

Movements in the statutory reserves are as follows:

	Statutory welfare fund	**Statutory reserve fund**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2012	14,499	29,001	43,500
Transfer to discontinued operation	(14,499)	(29,001)	(43,500)
At 31 December 2012, 1 January 2013 and 31 December 2013	–	–	–

As the subsidiaries of the Company established in the PRC recorded net losses for the year ended 31 December 2013 and 2012, no appropriation of statutory reserves was made during the years.

40. RESERVES *(Continued)*

(B) THE COMPANY

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Share option reserve HK$'000	Convertible notes reserve HK$'000	Total HK$'000
At 1 January 2012	219,534	36,000	(146,536)	1,656	–	110,654
Recognition of the equity component of convertible notes	–	–	–	–	429	429
Expiry of share option	–	–	1,656	(1,656)	–	–
Loss for the year	–	–	(141,165)	–	–	(141,165)
At 31 December 2012 and 1 January 2013	219,534	36,000	(286,045)	–	429	(30,082)
Issue of shares upon conversion of convertible notes	29,112	–	–	–	(20,395)	8,717
Issue of shares by open offer	72,772	–	–	–	–	72,772
Issue of shares by placing	2,982	–	–	–	–	2,982
Transaction costs attributable to issue of shares	(7,125)	–	–	–	–	(7,125)
Recognition of the equity component of the convertible notes	–	–	–	–	47,458	47,458
Recognition upon modification of convertible notes	–	–	–	–	2,239	2,239
Transaction costs attributable to issue of convertible notes	–	–	–	–	(506)	(506)
Deferred taxation of convertible notes	–	–	–	–	(6,162)	(6,162)
Early redemption of convertible notes	–	–	1,002	–	(14,032)	(13,030)
Derecognition upon modification of convertible notes	–	–	2,143	–	(2,143)	–
Expiry of convertible notes	–	–	90	–	(90)	–
Loss for the year	–	–	(87,191)	–	–	(87,191)
At 31 December 2013	**317,275**	**36,000**	**(370,001)**	**–**	**6,798**	**(9,928)**

The Company's contributed surplus as at 31 December 2013 and 2012 represents the amount of HK$36,000,000 transfer from share capital due to a capital reduction in the year ended 31 December 2001.

41. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2012

Acquisition of Able Profit (Hong Kong) Limited

On 15 December 2011, an indirect wholly-owned subsidiary of the Company, EMAX Venture Limited entered into the sale and purchase agreement with Mr. Lau Chi Yan, Pierre to acquire the entire issued share capital and the amount of shareholder's loan of Profit Value at a total consideration of HK$80,000,000 in cash. Profit Value has not carried out any significant business transaction since the acquisition. In the opinion of the directors, the acquisition did not constitute an acquisition of business which the Group principally acquired the Sub-contracting Agreement through the acquisition. Therefore, the acquisition was not disclosed as business combination in accordance with the requirements of HKFRS 3 "Business Combination". The acquisition was accounted for as asset acquisition. The major assets acquired is the Sub-contracting Agreement for the provision of all funeral related services and products, and assistance necessary for the operation of a licensed commercial cemetery as described in Note 19(ii). The acquisition was completed on 10 April 2012. Summary of the effects of the acquisition is as follows:

	Acquiree's carrying amount HK$'000	**Fair value adjustment** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Cash and bank balances	4	–	4
Amount due to shareholder	(1,005)	–	(1,005)
Intangible assets arising on acquisition (Note 19)	–	79,996	79,996
	(1,001)	79,996	78,995
Shareholders loan's acquired			1,005
			80,000
Total consideration satisfied by:			
Cash consideration			80,000
Net cash outflow arising on acquisition:			
Cash consideration			(80,000)
Cash and cash equivalents acquired			4
			(79,996)

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2012 *(Continued)*

Acquisition of Able Profit (Hong Kong) Limited *(Continued)*

Note:

The Group has paid HK$45,000,000 during the year and HK$27,000,000 was payable as at 31 December 2012, net cash outflow from acquisition of subsidiaries was HK$44,996,000.

During the year ended 31 December 2012, Profit Value and its subsidiaries contribute approximately HK$nil and HK$71,000 to the Group's turnover and loss for the year from the date of acquisition to the end of the reporting period respectively.

If the acquisition had been completed on 1 January 2012, the Group's turnover for the year from continuing operation would not be affected, and loss for the year from continuing operation would have been approximately HK$29,087,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

42. DISPOSAL OF SUBSIDIARIES

(A) DISPOSAL OF INDIRECT HOUSEHOLD PRODUCTS OPERATION

On 24 May 2013, the Group disposed of 75% of issued share capital of Trader Group International Limited and its subsidiary, Langfang Huari Hengyu Home Co., Ltd., which carried out its entire indirect household products operation (Note 14).

Details of the aggregate assets and liabilities disposed of, and the calculation of the gain on disposal are disclosed below:

Total consideration satisfied by:

	HK$'000
Cash consideration	70,000

Aggregate assets and liabilities disposed of:

	HK$'000
Property, plant and equipment	13,387
Inventories	117,270
Trade receivables	48,029
Prepayments, deposits and other receivables	60,230
Cash and bank balances	13,869
Trade payables	(37,475)
Other payables and accruals	(14,259)
Receipts in advance	(26,983)
Tax payable	(63)
Net assets disposed of	174,005
Not controlling interests	(43,501)
The Group's share of net assets	130,504

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

(A) Disposal of indirect household products operation *(Continued)*

Gain on disposal of subsidiaries:

	HK$'000
Cash consideration	70,000
The Group's share of net assets	(130,504)
Reclassification adjustment of the cumulative exchange gain on the translation of the disposal from its functional currency to HK$ upon disposal	48,685
Release of statutory reserve	43,500
Gain on disposal of subsidiaries (Note 14)	31,681

Net cash outflow on disposal of subsidiaries:

	HK$'000
Cash consideration received (Note)	1,268
Cash and bank balances disposed of	(13,869)
	(12,601)

Note:

For the cash consideration of HK$70,000,000 on the disposal of subsidiaries, the Group has received approximately HK$1,268,000 during the year and approximately HK$68,732,000 was receivable as at 31 December 2013 (Note 25). For the year ended 31 December 2013, the net cash outflow from disposal of the subsidiaries was approximately HK$12,601,000.

(B) Disposal of Alwin Asia Investment Limited and its subsidiaries

On 24 December 2013, the Group disposed of 100% of issued share capital of Alwin Asia Investment Limited and its subsidiaries, Tedwood International Limited and Ming Ting Rui He (Beijing) Trading Limited. Details of the aggregate assets and liabilities disposed of, and the calculation of the gain on disposal are disclosed below:

Consideration received:

	HK$'000
Cash consideration	828

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

(B) Disposal of Alwin Asia Investment Limited and its subsidiaries

Aggregate assets and liabilities disposed of:

	HK$'000
Property, plant and equipment	25
Prepayments, deposits and other receivables	536
Cash and bank balances	837
Other payables and accruals	(3)
Amount due to a director	(351)
Obligations under finance lease	(28)
Net assets disposed of	1,016

Gain on disposal of subsidiaries:

	HK$'000
Cash consideration received	828
Net assets disposed of	(1,016)
Reclassification adjustment of the cumulative exchange gain on the translation of the disposal from its functional currency to HK$ upon disposal	252
Gain on disposal of subsidiaries	64

Net cash outflows on disposal of subsidiaries:

	HK$'000
Cash consideration	828
Less: Cash and bank balances disposed of	(837)
	(9)

43. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY WITHOUT LOSSING CONTROL

On 24 May 2012, the Company disposed of 25% of the entire issued share capital of Trader Group for a total consideration of HK$45,000,000 (the "Disposal of Partial Interest"). Upon the completion of the Disposal of Partial Interest, the Group recognised non-controlling interest of approximately HK$53,177,000. The difference between the consideration and the non-controlling interest recognised of approximately HK$8,177,000 was charged to equity directly.

44. CONTINGENT LIABILITIES

The Group and the Company had no contingent liabilities as at 31 December 2013 (2012: Nil).

45. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases office properties, staff quarter and funeral parlour under operating leases arrangements. Leases for properties are negotiated for lease terms ranging from one to five years.

As at 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Land and buildings		
Within one year	**55,800**	56,082
In the second to fifth years, inclusive	**125,550**	181,350
	181,350	237,432

46. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

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

	2013	2012
	HK$'000	HK$'000
Short term employee benefits	**4,295**	3,172
Pension scheme contribution	**73**	57
Total compensation paid to key management personnel	**4,368**	3,229

Further details of directors' emoluments are included in Note 11 to the consolidated financial statements.

47. EVENT AFTER THE REPORTING PERIOD

(a) On 29 January 2014, the Group entered into a contract to formation a joint venture in the PRC. For details, please refer to the Company's announcement dated 29 January 2014 and 11 February 2014.

(b) On 25 February 2014, the Group announced placing of new shares. For details, please refer to the Company's announcement dated 25 February 2014 and 7 March 2014.

(c) On 27 January 2014, the Group early redeemed all the outstanding Convertible Notes 2.

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 March 2014.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2013

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**67,070**	39,165	177,083	181,338	297,460
Cost of sales	**(69,303)**	(42,633)	(156,923)	(171,930)	(252,309)
Gross (loss)/profit	**(2,233)**	(3,468)	20,160	9,408	45,151
Other revenue	**166**	260	310	969	2,473
Other net gain or loss	**(199)**	6,987	(32,509)	14,124	(26,877)
Gain on disposal of subsidiaries	**64**	–	–	–	–
Selling and distribution costs	**(5,470)**	(4,233)	(20,942)	(15,981)	(45,896)
Administrative expenses	**(32,740)**	(19,824)	(28,442)	(24,918)	(33,775)
Change in fair value of derivative financial assets	**(6,441)**	–	–	–	–
Impairment loss recognised in respect of goodwill	**–**	–	–	–	(61,576)
Equity-settled share-based payments	**–**	–	–	(8,004)	–
Loss from operations	**(46,853)**	(20,278)	(61,423)	(24,402)	(120,480)
Finance costs	**(16,452)**	(8,000)	(4)	(4)	(4)
Loss before taxation	**(63,305)**	(28,278)	(61,427)	(24,406)	(120,484)
Taxation	**179**	–	6,657	(6,574)	–
Loss for the year from continuing operations	**(63,126)**	(28,278)	(54,770)	(30,980)	(120,484)
Discontinued operations					
Profit/(loss) for the year from discontinued operations	**29,356**	(67,955)	2,250	1,382	–
Loss for the year	**(33,770)**	(96,233)	(52,520)	(29,598)	(120,484)
Attributable to:					
Owners of the Company	**(28,764)**	(80,210)	(52,520)	(29,598)	(120,484)
Non-controlling interests	**(5,006)**	(16,023)	–	–	–
	(33,770)	(96,233)	(52,520)	(29,598)	(120,484)

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**204,183**	377,727	378,337	390,230	425,921
Total liabilities	**(24,860)**	(162,792)	(113,943)	(84,160)	(140,779)