GRAND PEACE GROUP HOLDINGS LIMITED
福澤集團控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code : 08108

Annual Report **2014**

* For identification purpose only

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CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Li Ge
Mr. Sun, Miguel
Mr. Cheng Wai Keung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Qing Chen
Mr. Zhang Chun Qiang
Ms. Tan Xiao Yan

REGISTERED OFFICE

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Bermuda

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AUDIT COMMITTEE

Mr. Liu Qing Chen *(Chairman)*
Mr. Zhang Chun Qiang
Ms. Tan Xiao Yan

REMUNERATION COMMITTEE

Mr. Liu Qing Chen *(Chairman)*
Mr. Zhang Chun Qiang
Ms. Tan Xiao Yan

NOMINATION COMMITTEE

Mr. Liu Qing Chen *(Chairman)*
Mr. Zhang Chun Qiang
Ms. Tan Xiao Yan

COMPLIANCE OFFICER

Mr. Li Ge

AUTHORISED REPRESENTATIVES

Mr. Li Ge
Mr. Hung Kai Ming (appointed on 1 March 2015)
Mr. Chan Yuk Hiu, Taylor (resigned on 1 March 2015)

COMPANY SECRETARY

Mr. Hung Kai Ming, *CPA, FCCA*
(appointed on 1 March 2015)
Mr. Chan Yuk Hiu, Taylor, *CPA, FCCA*
(resigned on 1 March 2015)

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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GEM STOCK CODE

08108

PRINCIPAL BANKER

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 Grand Peace Group Holdings Limited (formerly known as 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 2014.

BUSINESS AND FINANCIAL REVIEW

The reportable businesses of the Group for 2014 are funeral business, loan financing business and elderly home business.

For the funeral business in Hong Kong, the Group's total revenue from the provision of funeral services and sale of funeral-related products amounted to approximately HK$74,056,000, while the audited net loss was HK$11,854,000.

For the funeral business in Mainland China, the Group has successively invested resources in developing Huidong County Huaqiao Cemetery. Although there were several consecutive extraordinary rainstorms between April and May in Guangdong Province which significantly affected the project progress, the preliminary infrastructure work of Huidong cemetery (including the road landscape and greening in the cemetery area) was completed in the third quarter and commenced to generate business. During the year ended 31 December 2014, the total revenue of the Group from Huidong cemetery amounted to approximately HK$245,000, while the audited net loss was approximately HK$1,998,000.

The Group's total revenue for the year ended 31 December 2014 from the provision of funeral services and sale of funeral-related products in Hong Kong and Mainland China amounted to approximately HK$74,301,000, representing an increase of 10.78% as compared to the same period of last year of approximately HK$67,070,000, while the audited net loss amounted to approximately HK$13,852,000, representing a decrease of 46.5% as compared to the net loss for the same period of last year of approximately HK$25,893,000.

For the loan financing business, on 25 March 2014, the Company acquired 100% equity interest of Join Wealth Finance (Hong Kong) Limited through Elite Finance Global Limited, a subsidiary of the Company, to conduct the loan financing business. For the year ended 31 December 2014, the audited revenue of the loan financing business amounted to approximately HK$464,000, while the audited net loss amounted to approximately HK$233,000.

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 to establish a joint venture company in the PRC, namely 惠州市福澤頤養服務有限公司 (the "**JV Company**"). The JV Company was incorporated on 12 May 2014 and will be principally engaged in the construction, management and operation of a home for the elderly in Huidong County, Huizhou, Guangdong Province, the PRC. For the year ended 31 December 2014, the home for the elderly is currently under construction and therefore no revenue from the elderly home business was recorded for the period.

PROSPECTS

Looking into the future, the Group will continue to commit 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 valuable contribution for the Group.

Li Ge
Chairman and Chief Executive

Hong Kong, 25 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "**Board**") of the directors (the "**Directors**") of Grand Peace Group 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 2014.

BUSINESS AND FINANCIAL REVIEW

The Group's reportable businesses for the year ended 31 December 2014 are the funeral business, loan financing business and elderly home business.

The Group's total audited operating revenue for the 12 months ended 31 December 2014 amounted to approximately HK$74,765,000, representing a decrease of 38.92% as compared to the same period last year, which was mainly due to the discontinuation of its household products business with effect from 1 June 2013.

FUNERAL BUSINESS

For the 12 months ended 31 December 2014, the Group recorded total revenue of approximately HK$74,301,000 from the provision of funeral-related services and sale of funeral-related products in Hong Kong and Mainland China and an audited gross profit of approximately HK$5,165,000. Due to the high costs for 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 gross profit margin of the funeral business remains low at this stage.

With the development of operation and reputation over the past two years, the performance of Grand Peace Funeral Parlour in Hung Hom, Hong Kong has improved. For the 12 months ended 31 December 2014, the Group's total revenue from the provision of funeral services and sale of funeral-related products amounted to approximately HK$74,056,000, representing an increase of 10.42% as compared to the same period last year of approximately HK$67,070,000. The Group will continue to enhance promotion and advertising investment as well as personnel training to raise the utilisation of Grand Peace Funeral Parlour, and endeavour to control costs and expenses.

For the funeral business in Mainland China, the Group has successively invested resources in developing Huidong County Huaqiao Cemetery. Although several torrential rainstorms hit Guangdong Province between April and May 2014 which significantly affected the project progress, the preliminary infrastructure work of Huidong cemetery (including the road landscaping and greening in the cemetery area) was completed in the third quarter and commenced to generate business. For the year ended 31 December 2014, the total revenue of the Group from Huidong cemetery amounted to approximately HK$245,000 and the net loss was approximately HK$1,998,000.

As the Group's funeral service business is still at the initial stage, the Group has not yet fully rolled out its sales network and 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 recorded an audited net loss of approximately HK$13,852,000 for the year 2014.

LOAN FINANCING BUSINESS

On 25 March 2014, Elite Finance Global Limited, a direct wholly-owned subsidiary of the Company, entered into an acquisition agreement with an independent third party to acquire 100% equity interests in a finance company (the "**Finance Company**") whose principal business activity was loan financing. The Finance Company holds a valid Money Lender Licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) qualifying for providing loan financing service to clients.

For the 12 months ended 31 December 2014, the total interest income of the Group from providing loan financing services was approximately HK$464,000, while the audited net loss was approximately HK$233,000.

ELDERLY HOME BUSINESS

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 incorporation, the JV Company will principally engage in the construction, management and operation of an elderly home in Huidong County, Huizhou, Guangdong Province, the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

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 elderly nursing homes in Guangdong Province, which will attract Hong Kong elderly people. We believe that the elderly nursing home will bring synergistic effect to the cemetery operated by the Group in Huidong. The transaction was completed on 22 May 2014.

A joint venture company, namely 惠州市福澤頤養服務有限公司, was incorporated by the Company for operation of the elderly nursing home on 12 May 2014.

Since the elderly nursing home is currently under construction, there was no income generated from elderly home business during the period.

PROSPECTS

The Group will remain focusing on its funeral business in Hung Hom of Hong Kong and Huidong of China.

For the purposes of sustaining the development of the Group's funeral business and expanding market share, a very substantial acquisition in relation to the acquisition of up to 99.95% equity interest in a funeral services business was carried out. On 26 November 2014, a number of entities and/or individuals who are the owners of Kowloon Funeral Parlour Company Limited ("KFP") prior to the completion of the KFP Acquisition (collectively, the"Owners") and Solaron Limited, a company incorporated in the British Virgin Islands with limited liability ("Target Company"), both being independent third parties to the Company, entered into the KFP Sale and Purchase Agreement pursuant to which the Target Company agreed to purchase, and the Owners agreed to sell the shares in KFP ("KFP Shares") to the Target Company, at a consideration of HK$295,000 per KFP Share payable by the Target Company to the Owners pursuant to the KFP Sale and Purchase Agreement (assuming the acquisition of up to 1,999 KFP Shares under the KFP Acquisition, the aggregate consideration for the KFP Acquisition shall be up to HK$589,705,000). Upon completion of the KFP Acquisition, the Target Company shall be interested in not less than 75% and up to 99.95% of the entire issued share capital of KFP, and KFP will become a subsidiary of the Target Company.

The Board announced that on 2 December 2014 (after trading hours), Merit Vision Holdings Limited ("**Purchaser**"), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Mr. Kong Lung Cheung ("**Vendor**") (to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, the Vendor and its associates are third parties independent of the Company and its connected persons), pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Share, at the consideration of HK$200,000,000 (subject to adjustment under the Consideration Adjustment Mechanism). Subject to the terms and conditions of the Sale and Purchase Agreement, the Vendor shall sell as the legal and beneficial owner and the Purchaser (or such person as the Purchaser may direct, which shall be a subsidiary of the Company) shall purchase all, but not some only, of the Sale Share, free from all encumbrances and together with all rights now or hereafter attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the Completion Date. The Sale Share means one issued and fully paid ordinary share of the Target Company, representing 100% of the entire issued share capital of the Target Company. Upon completion of the KFP Acquisition, the Target Company will be interested in not less than 75% and up to 99.95% of the entire issued share capital of KFP. The number of KFP Shares to be acquired by the Target Company would be confirmed at completion of the KFP Acquisition. Upon completion, the Target Company and KFP will become subsidiaries of the Company.

The Board considers the entering into of the Sale and Purchase Agreement represents an attractive investment opportunity to the Company based on (i) the growing net profit margin of the Target Company in the past three years; (ii) the funeral services business of KFP being in line with the principal business activities of the Company; (iii) the Acquisition would allow the Company to gain further market share in the oligopolistic funeral services industry; (iv) the Acquisition would be entirely satisfied by cash and the issue of the Promissory Note, which is not expected to result in any dilution effect on the shareholding of the existing Shareholders; (v) possible enhancement of the corporate image of the Group due to the long-standing brand of KFP; and (vi) the expected synergy effect with the existing funeral services business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company has also considered that the right to operate Grand Peace Funeral Parlour will expire on 31 March 2017. If the Group is unsuccessful in the next tender for the continued right of the operation of Grand Peace Funeral Parlour, the Group may be unable to carry out its principal business activities, which may in turn affect the financial performance of the Group. As the operation of the Funeral Parlour is not subject to tender, the Acquisition will allow the Group to carry on with its principal business activities.

As at the date of this report, the acquisition is still in progress.

The Company will appoint an IT company to construct an online platform ("**Online Platform**") for its business development. The Company expects that, upon the launch of the Online Platform, the Company will be offering global online related services in respect of the memorial tablets of its cemetery. Upon the launch of the Online Platform, the Company also intends to develop the business of online worshipping services which allows clients to overcome geographical limitations to worship their ancestors. In addition, the Company intends to make use of the Online Platform to provide online elderly meeting services for clients to keep them informed of the living conditions of the elderlies living in the elderly home. It is expected that the Company could expand the scope of its elderly care and funeral services provided that the above plan is materialised.

On 22 July 2014, EMAX Venture Limited, a direct wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to acquire 25% of the issued shares of Miracle Power Limited ("**Miracle**") which operates its pet shop business in the local market. The Group wishes to cooperate with Miracle to develop pet funeral business as and when appropriate.

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

We believe that the strategy of diversification will add value to owners' equity and disperse 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 GEM Listing Rules.

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.

In light of the financial difficulties of Future Step and Ms. Zhang, after consultations, on 27 August 2013, General Asia, Future Step and Ms. Zhang entered into a first supplemental agreement to reschedule the timetable of the consideration settlement. Pursuant to this 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Up to March 2014, Future Step has altogether 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, on 8 May 2014, the parties to the SPA entered into a second supplemental agreement regarding the further revised consideration settlement timetable. Pursuant to this supplemental agreement, the timetable of the consideration settlement was further revised as follows:

1. HK$10 million will be paid on or before 30 September 2014;

2. HK$20 million will be paid on or before 31 December 2014; and

3. The balance of HK$36,207,900 will be paid on or before 31 March 2015.

In November 2014, the Vendor has paid HK$5.0 million further.

In light of the financial condition of Future Step and Ms. Zhang, Future Step and Ms. Zhang are still unable to perform their respective obligations under the second supplemental agreement as schedule. As such, the parties to the sale and purchase agreement entered into a third supplemental agreement after friendly negotiation to reschedule the timetable of the consideration settlement. Pursuant to the recent agreement, the timetable of the consideration settlement was further revised as follows:

1. HK$4.0 million will be paid in or before March 2015;

2. HK$7.0 million will be paid in or before May 2015;

3. HK$25 million will be paid in or before June 2015; and

4. The balance of HK$25,207,900 will be paid in or before September 2015.

As of the date of this report, the Vendor paid another HK$3.2 million.

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.

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 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 net proceeds from the issue of the Convertible Bonds, after deduction of expenses, were 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. Thus, there was no outstanding amount of the Convertible Bonds from 27 January 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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, the circular dated 8 November 2012 and the next day disclosure returns dated 23 May 2013 and 25 June 2013 respectively.

FORMATION OF JOINT VENTURE

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 ("**JV Company**") in the PRC, which will be principally engaged in the construction, management and operation of a home for the elderly in Huidong County, Huizhou, Guangdong Province, the PRC. The share capital of the JV Company will be owned as to 65% by Most Fame and 35% by the independent third party. The transaction was completed on 22 May 2014.

For details, please refer to the announcements of the Company dated 29 January 2014, 11 February 2014 and 22 May 2014 respectively.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 25 February 2014 (after trading hours), the CNI Securities Group Limited (the "**Placing Agent**") and the Company entered into a placing agreement (the "**Placing Agreement**") pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, aggregate maximum of 227,400,000 new shares of the Company (the "**Placing Shares**") at the placing price of HK$0.078 per share to not fewer than six placees (the "**Placees**").

The Placing Shares were issued under the general mandate (the "**General Mandate**") to allot, issue and deal with shares granted to the Directors by resolution of the shareholders of the Company passed at the special general meeting of the Company held on 24 January 2014 (the "**SGM**") subject to the limit up to 20% of the then issued share capital of the Company as at the date of the SGM. Under the General Mandate, the Company is authorized to issue up to 227,412,120 shares.

The Company entered into the Placing Agreement with the Placing Agent with the reason being the Directors considered that the placing represented a good opportunity for the Company to raise additional capital to enhance its capital base and broaden its shareholders' base.

The completion of the placing took place on 7 March 2014. An aggregate of 227,400,000 Placing Shares have been successfully placed by the Placing Agent to seven individual investors and two institutional investors at HK$0.078 per Placing Share. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placees and their ultimate beneficial owners (if applicable) were third parties independent of and not connected with the Company and its connected persons. The closing price of the shares of the Company was HK$0.09 on 25 February 2014, being the date of the Placing Agreement. The net proceeds of approximately HK$17.10 million from the placing were used (i) as to approximately HK$10 million for partial payment of deposit under the Cooperation Agreement; and (ii) as to approximately HK$7.1 million for working capital of the Group.

For details, please refer to the announcements of the Company dated 25 February 2014 and 7 March 2014 respectively.

PLACING OF SHARES UNDER SPECIFIC MANDATE

On 1 April 2014 (after trading hours), the Company and the CNI Securities Group Limited (the "**Placing Agent**") entered into a placing agreement (the "**Placing Agreement**") pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 410,000,000 new shares of the Company (the "**Placing Shares**"), to not less than six placees (the "**Placees**") at a price of HK$0.067 per share.

The Placing Shares were issued under the specific mandate obtained at the special general meeting of the Company held on 26 May 2014.

The Company entered into the Placing Agreement with the Placing Agent with the reason being the Directors were of the view that the placing can strengthen the financial position of the Group, provide working capital and additional resources to the Group for future development. The placing also represents a good opportunity to broaden the capital base of the Company.

The completion of the placing took place on 9 June 2014. An aggregate of 410,000,000 Placing Shares have been successfully placed by the Placing Agent to five individual investors and two institutional investors at HK$0.067 per Placing Share. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placees and their ultimate beneficial owners (if applicable) were third parties independent of and not connected with the Company and its connected persons. The closing price of the shares of

MANAGEMENT DISCUSSION AND ANALYSIS

the Company was HK$0.078 on 1 April 2014, being the date of the Placing Agreement. The net proceeds from the placing was approximately HK$26.06 million, which was intended to be used (i) as to HK$8 million for the settlement of the remaining deposit balance under the Cooperation Agreement; (ii) as to approximately HK$3 million for the development of the business of finance company; (iii) as to approximately HK$7 million for the outstanding rental prepayment of the funeral parlour (the actual rental repayment of which being HK$13.95 million per quarter); and (iv) as to approximately HK$8.06 million as general working capital of the Group or, if attractive investment opportunities are identified, may be used for possible acquisition.

For details, please refer to the announcements of the Company dated 1 April 2014 and 9 June 2014 respectively and the circular of the Company dated 8 May 2014.

SHARE CONSOLIDATION

The Company implemented a share consolidation on the basis of every five (5) issued and unissued shares of the Company of HK$0.02 each being consolidated into one (1) consolidated share of the Company of HK$0.1 each (the "**Share Consolidation**") during the Period.

An ordinary resolution of the Company has been passed by the shareholders of the Company by way of poll to approve the Share Consolidation at the special general meeting held on 9 June 2014. The Share Consolidation became effective on 10 June 2014.

For details, please refer to the announcements of the Company dated 2 May 2014 and 9 June 2014 respectively and the circular of the Company dated 22 May 2014.

CHANGE OF COMPANY NAME

Pursuant to the special resolution passed at the special general meeting held on 1 September 2014 and approval from the Registrar of Companies in Bermuda on 5 September 2014 confirming the change of name has become effective on 2 September 2014, the name of the Company has been changed from "FAVA International Holdings Limited" to "Grand Peace Group Holdings Limited", and upon the change of name becoming effective, "福澤集團控股有限公司" has been adopted as the new Chinese name in place of "名家國際控股有限公司" for identification purposes only.

For details, please refer to the announcement of the Company dated 24 July 2014, 6 October 2014 and the circular of the Company dated 8 August 2014.

VERY SUBSTANTIAL ACQUISITION

On 2 December 2014, Merit Vision Holdings Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Mr. Kong Lung Cheung (the "Vendor"), pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Share, at the Consideration of HK$200,000,000 (subject to adjustment under the Consideration Adjustment Mechanism).

The Sale Share means one issued and fully paid ordinary share of the Target Company, representing 100% of the entire issued share capital of the Target Company. Upon completion of the KFP Acquisition, the Target Company will be interested in not less than 75% and up to 99.95% of the entire issued share capital of KFP. Upon Completion, the Target Company and KFP will become subsidiaries of the Company.

The Consideration shall be in the sum of HK$200,000,000 (subject to adjustment under the Consideration Adjustment Mechanism), provided that 99.95% of the entire issued share capital of KFP is owned by the Target Company following the completion of the KFP Acquisition.

The Consideration shall be payable in any way as the Vendor may direct free from any set-off, counterclaim or other deduction of any nature whatsoever in the following manners:

(i) HK$38,000,000, being the Deposit and part payment of the Consideration, shall be paid in the following manners: (a) HK$8,000,000 shall be paid in cash upon the signing of the Sale and Purchase Agreement; and (b) HK$30,000,000 shall be paid in cash within 14 days from the date of signing the Sale and Purchase Agreement; and

(ii) HK$162,000,000, being the remaining part of the Consideration, shall be paid in the following manners: (a) Cash Settled Amount of HK$62,000,000 shall be paid in cash on Completion; and (b) the Remaining Balance of HK$100,000,000 shall be settled by the issuance of the Promissory Note by the Purchaser to the Vendor on Completion.

Notwithstanding the above, the Consideration shall be adjusted and determined based on the actual number of KFP Shares held by the Target Company upon the completion of the KFP Acquisition according to the Consideration Adjustment Mechanism pursuant to the Sale and Purchase Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

The Promissory Note shall expire 2 years after the Completion Date with an interests rate at 8% per annum due on the date following such Maturity Date.

The Deposit has been paid by the Purchaser according to the abovementioned arrangement by internal resources of the Group. The Company intends to settle the Cash Settled Amount and repay the Promissory Note by internal resources of the Group and/or debt and/or equity financing.

As at the date of this report, the very substantial acquisition is still in progress.

For details, please refer to the announcements of the Company dated 8 January 2015, 30 January 2015, 26 February 2015 and 20 March 2015 respectively.

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$74,765,000 in total revenue in 2014, representing a decrease of 38.92% as compared with year 2013.

The breakdown of the turnover is set out below:

	2014		2013		
	HK$ million	**%**	HK$ million	%	Change
Continuing operations					
Provision of funeral services and sales of funeral related products	**74.3**	**99.3%**	67.1	54.82%	10.73%
Loan financing business	**0.5**	**0.7%**	–	–	N/A
Discontinued operations					
Manufacturing and sales of house hold products PRC indirect retail sales	**–**	**–**	55.3	45.18%	N/A
Total	**74.8**	**100%**	122.4	100%	

SIGNIFICANT INVESTMENT

The Group had no significant investment held in the year ended 31 December 2014.

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 2014.

As at 31 December 2014, cash and bank balances of the Group was approximately HK$6,555,000 (2013: HK$3,843,000), approximately 22.19% of the Group's cash was denominated in Renminbi and 77.81% 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 2014, the total borrowings of the Group amounted to approximately HK$114,106,000 (2013: approximately HK$17,132,000), representing (i) unsecured bonds of HK$79,270,000 at the effective interest rate ranged from 3.13% per annum to 31.91% per annum; (ii) secured short term loan of HK$30,000,000 at the effective interest rate 36% per annum; and (iii) unsecured short term loan of HK$4,836,000 at the effective interest rate 15.87% per annum.

CAPITAL STRUCTURE

The total number of issued shares of the Company was 1,774,460,600 as at 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2014, the Group had 60 employees in Hong Kong (as at 31 December 2013: 57 employees in Hong Kong), 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 2014 amounted to approximately HK$11,646,000 (2013: approximately HK$16,120,000).

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 and a short term loan which was secured by the share capital of one of the Group's subsidiaries, the Group did not have any other charge on its assets as at 31 December 2014 (2013: Save as the pledged bank deposits, the Group did not have any other charge on its assets).

GEARING RATIO

As at 31 December 2014, the Group's gearing ratio was approximately 62.67% representing a percentage of the total borrowings over shareholders' equity (2013: 9.03%), and the net current assets was approximately HK$100,018,000 (2013: approximately HK$103,202,000).

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 immaterial 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 2014 (2013: nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

Mr. Li Ge, aged 46, 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 the management of PRC 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, Most Fame (China) Limited, 仁長智匯(深圳)科技有限公司, Able Wealthy (China) Limited and Merit Vision Holdings 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 42, 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 now hold the directorship in Merit Vision Holdings 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. Cheng Wai Keung, aged 49, 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 (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 46, 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 24 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 43, 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 25 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 46, 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 24 years of experience. Ms. Tan is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

COMPANY SECRETARY

Mr. Hung Kai Ming, aged 39, was appointed as a company secretary on 1 March 2015, holds a Master of Professional Accounting from The Hong Kong Polytechnic University and an Honours Diploma in Accounting from Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University). Mr. Hung is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Hung has over 16 years of experience in accounting, auditing and finance.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited financial statements of Grand Peace Group Holdings Limited (formerly known as FAVA International Holdings Limited*) (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2014.

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. There were no significant changes in the nature of the Group's principal activities during the year.

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 2014 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 30 to 34.

No dividend has been declared or proposed by the Directors of the Company in respect of the year ended 31 December 2014 (2013: 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 116. 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.

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 2014.

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 35 to 36.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's aggregate turnover with its five largest customers did not exceed 30% of the Group's total turnover in 2014.

In the year under review, expenses arising from purchases of goods and provision of services from the Group's five largest suppliers accounted for 82.15% 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 80.59%.

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$500,000 (2013: HK$5,000).

PENSION SCHEMES

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

REPORT OF THE DIRECTORS

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

Independent non-executive Directors:

Mr. Liu Qing Chen
Mr. Zhang Chun Qiang
Ms. Tan Xiao Yan

In accordance with bye-laws 87(1) to the Bye-laws, Mr. Liu Qing Chen and Mr. Zhang Chun Qiang 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 13 to 14 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 2014, 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.

REPORT OF THE DIRECTORS

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 for issue upon the exercise of the options under the Share Option Scheme is 3,433,911 shares, representing 10% of 34,339,119 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 consolidations effective on 29 August 2013 and 10 June 2014 respectively).

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 2014.

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.

REPORT OF THE DIRECTORS

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 2014, 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$0.1 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	16,054,800	–	36,618,484	–	52,673,284	14.84%

Note:

(1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 354,892,120 issued shares as at 31 December 2014.

(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 2014, 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 2014, 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:

REPORT OF THE DIRECTORS

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	36,618,484	10.32%

Notes:

(1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 354,892,120 issued shares as at 31 December 2014.

(2) Mr. Li Ge beneficially owns the entire issued share capital of Ture 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 2014, 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 in pages 21 to 27.

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.

REPORT OF THE DIRECTORS

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, please refer to the announcement of the Company dated 12 March 2012 under the heading "Audit Committee Terms of Reference" for details. 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 Yanm, all being independent non-executive Directors of the Company.

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 4 meetings. The Audit Committee has reviewed the Group's financial statements for the year ended 31 December 2014 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
25 March 2015

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving high standards of corporate governance and following the principles set out in the Corporate Governance Code 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 Officer" (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 2014, 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 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 2014 and up to the date of this report were:

Executive Directors

Mr. Li Ge *(Chairman and Chief Executive Officer)*
Mr. Sun, Miguel
Mr. Cheng Wai Keung

Independent Non-executive Directors

Mr. Liu Qing Chen
Mr. Zhang Chun Qiang
Ms. Tan Xiao Yan

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 interest 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 day-to-day operations of the Group to 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 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;

CORPORATE GOVERNANCE REPORT

(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.

The Board held 30 meetings during the year 2014. Details of the attendance of the Board meetings are as follows:

Name of Directors	Meetings attended/held	Attendance rate
Executive Directors		
Mr. Li Ge *(Chairman and Chief Executive Officer)*	30/30	100%
Mr. Sun, Miguel	30/30	100%
Mr. Cheng Wai Keung	30/30	100%
Independent non-executive Directors		
Mr. Liu Qing Chen	30/30	100%
Mr. Zhang Chun Qiang	30/30	100%
Ms. Tan Xiao Yan	30/30	100%

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 advices 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.

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

Directors' Attendance of the general meeting (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 2014, the Company held 4 general meetings, being 3 special general meetings held on 24 January 2014, 26 May 2014 and 1 September 2014 respectively, and 1 annual general meeting held on 7 May 2014.

Name of Directors	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	4/4	100%
Independent non-executive Directors		
Mr. Liu Qing Chen	4/4	100%
Mr. Zhang Chun Qiang	4/4	100%
Ms. Tan Xiao Yan	4/4	100%

CORPORATE GOVERNANCE REPORT

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 development 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 Officer of the Company. While serving as the Chairman of the Group, 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 dedicated 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).

CORPORATE GOVERNANCE REPORT

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 2014, 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 2014, the Remuneration Committee has held 4 meetings, and the matters under discussion include (i) to review and recommend on the remuneration packages of a Executive Director and three Independent Non-executive Director of the Company; (ii) to review and recommend on the remuneration packages of a newly appointed director assistant of the Company; and (iii) 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	Meetings attended/held	Attendance rate
Mr. Liu Qing Chen	4/4	100%
Mr. Zhang Chun Qiang	4/4	100%
Ms. Tan Xiao Yan	4/4	100%

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

On 1 March 2012, the Board established a Nomination Committee comprising Mr. Liu Qing Chen (an Independent Non-executive 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 2014, the Nomination Committee has held 1 meeting, and the matters under discussion include to access the structure, size and composition of the Board.

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

AUDITORS' REMUNERATION

An amount of approximately HK$650,000 (2013: 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 2014 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
	650

CORPORATE GOVERNANCE REPORT

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 2014, namely Mr. Liu Qing Chen (Chairman), Ms. Tan Xiao Yan and Mr. Zhang Chun Qiang respectively.

In the year 2014, the Audit Committee had held 4 meetings. The Group's 2014 quarterly reports, 2014 half-yearly report, 2013 and 2014 annual results and 2013 and 2014 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	Meetings attended/held	Attendance rate
Mr. Liu Qing Chen	4/4	100%
Mr. Zhang Chun Qiang	4/4	100%
Ms. Tan Xiao Yan	4/4	100%

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 2014, 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 2014.

COMPANY SECRETARY

Mr. Chan Yuk Hiu, Taylor has been appointed as 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 who resigned on 1 March 2015.

Mr. Hung Kai Ming has been appointed as Company Secretary of the Company since 1 March 2015.

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.

CORPORATE GOVERNANCE REPORT

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 info@grandpeace.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.grandpeace.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.

INDEPENDENT AUDITORS' REPORT

HLB 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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF GRAND PEACE GROUP HOLDINGS LIMITED
(FORMERLY KNOWN AS FAVA INTERNATIONAL HOLDINGS LIMITED)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Grand Peace Group Holdings Limited (the "Company") (formerly known as FAVA International Holdings Limited) and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 115, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2014 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, 25 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Continuing operations			
Turnover	7	74,765	67,070
Cost of sales		(69,237)	(69,303)
Gross profit/(loss)		5,528	(2,233)
Other revenue	7	1,188	166
Other net gain and loss	8	124	(199)
Gain on disposal of subsidiaries	42(b)	–	64
Selling and distribution costs		(5,798)	(5,470)
Administrative expenses		(39,452)	(32,740)
Change in fair value of derivative financial assets	36	(13)	(6,441)
Loss from operations		(38,423)	(46,853)
Finance costs	10	(6,838)	(16,452)
Share of results of associates	21(a)	(30)	–
Share of result of a joint venture	21(b)	(1,156)	–
Loss before taxation		(46,447)	(63,305)
Taxation	13	7	179
Loss for the year from continuing operations	9	(46,440)	(63,126)
Discontinued operation			
Profit for the year from discontinued operation	14	–	29,356
Loss for the year		(46,440)	(33,770)
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		(1,323)	7,527
– Reclassification adjustment relating to foreign operations disposed of during the year		–	(48,937)
		(1,323)	(41,410)
Share of other comprehensive loss of a joint venture		(1,050)	–
Change in fair value of available-for-sale financial assets		(410)	–
Total other comprehensive loss for the year		(2,783)	(41,410)
Total comprehensive loss for the year		(49,223)	(75,180)
Loss attributable to:			
Owners of the Company		(41,782)	(28,764)
Non-controlling interest		(4,658)	(5,006)
		(46,440)	(33,770)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Total comprehensive loss attributable to:			
Owners of the Company		**(44,565)**	(71,140)
Non-controlling interest		**(4,658)**	(4,040)
		(49,223)	(75,180)
Loss per share			
From continuing and discontinued operations			
– Basic and diluted (HK cents per share)	17	**(2.6)**	(9.5)
From continuing operations			
– Basic and diluted (HK cents per share)	17	**(2.6)**	(19.4)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	18	2,635	3,276
Intangible assets	19	89,792	86,813
Interests in associates	21(a)	3,970	–
Investment in a joint venture	21(b)	21,594	–
Available-for-sale financial assets	22	760	–
Prepayments	23	3,792	–
Loan receivables	24	7,156	–
		129,699	90,089
Current assets			
Inventories	25	171	367
Trade receivables	26	245	677
Loan receivables	24	11,293	–
Prepayments, deposits and other receivables	27	108,891	80,724
Amount due from an associate	21(a)	3,000	–
Derivative financial assets	36	–	243
Pledged bank deposits	28	28,950	28,240
Cash and bank balances	29	6,555	3,843
		159,105	114,094
Current liabilities			
Trade payables	30	284	81
Borrowings	31	51,657	–
Other payables and accruals	32	6,364	4,279
Receipts in advance	33	658	607
Amount due to a director	34	124	1,793
Convertible notes	36	–	4,132
		59,087	10,892
Net current assets		100,018	103,202
Total assets less current liabilities		229,717	193,291

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Borrowings	31	62,449	13,000
Deferred tax liabilities	37	–	968
		62,449	13,968
Net assets		167,268	179,323
Capital and reserves			
Share capital	38	35,489	22,741
Reserves	40	146,783	166,928
Total equity attributable to owners of the Company		182,272	189,669
Non-controlling interests		(15,004)	(10,346)
Total equity		167,268	179,323

Approved by the Board of Directors on 25 March 2015 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 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current asset			
Property, plant and equipment	18	12	18
Investments in subsidiaries	20	–	–
Available-for-sale financial assets	22	760	–
		772	18
Current assets			
Amounts due from subsidiaries	20	85,519	32,434
Amount due from an associate	21(a)	3,000	–
Derivative financial assets	36	–	243
Prepayments, deposits and other receivables	27	5,784	246
Cash and bank balances	29	3,812	949
		98,115	33,872
Current liabilities			
Borrowings	31	46,821	–
Other payables and accruals	32	4,519	1,184
Amount due to a director	34	–	1,793
Amount due to a subsidiary	35	4,962	–
Convertible notes	36	–	4,132
		56,302	7,109
Net current assets		41,813	26,763
Total assets less current liabilities		42,585	26,781
Non-current liabilities			
Borrowings	31	62,449	13,000
Deferred tax liabilities	37	–	968
		62,449	13,968
Net (liabilities)/assets		(19,864)	12,813
Capital and reserves			
Share capital	38	35,489	22,741
Reserves	40	(55,353)	(9,928)
Total equity		(19,864)	12,813

Approved by the Board of Directors on 25 March 2015 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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Discontinued operations HK$'000	Available-for-sale securities revaluation reserve HK$'000	Convertible notes reserve HK$'000	Exchange reserve HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	3,517	219,534	36,000	(171,123)	89,383	–	429	–	177,740	37,195	214,935
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 income/(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 (Note 38)	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 convertible notes (Note 36)	–	–	–	–	–	–	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 and 1 January 2014	22,741	317,275	36,000	(196,652)	–	–	6,798	3,507	189,669	(10,346)	179,323

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital	Share premium	Contributed surplus	Accumulated losses	Discontinued operations	Available-for-sale securities revaluation reserve	Convertible notes reserve	Exchange reserve	Subtotal	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loss for the year	-	-	-	(41,782)	-	-	-	-	(41,782)	(4,658)	(46,440)
Other comprehensive loss for the year											
– Exchange differences arising during the year	-	-	-	-	-	-	-	(1,323)	(1,323)	-	(1,323)
– Share of other comprehensive loss of a joint venture	-	-	-	-	-	-	-	(1,050)	(1,050)	-	(1,050)
– Change in fair value of available-for-sale financial assets	-	-	-	-	-	(410)	-	-	(410)	-	(410)
Total comprehensive loss for the year	-	-	-	(41,782)	-	(410)	-	(2,373)	(44,565)	(4,658)	(49,223)
Issue of shares by placing (Note 38)	12,748	32,459	-	-	-	-	-	-	45,207	-	45,207
Transaction cost attributable to issue of shares	-	(1,847)	-	-	-	-	-	-	(1,847)	-	(1,847)
Early redemption of convertible notes	-	-	-	606	-	-	(6,798)	-	(6,192)	-	(6,192)
At 31 December 2014	**35,489**	**347,887**	**36,000**	**(237,828)**	**-**	**(410)**	**-**	**1,134**	**182,272**	**(15,004)**	**167,268**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
(Loss)/profit before taxation			
Continuing operations		(46,447)	(63,305)
Discontinued operations		–	29,480
		(46,447)	(33,825)
Adjustments for:			
Interest income	7	(714)	(3)
Share of results of associates	21(a)	30	–
Share of result of a joint venture	21(b)	1,156	–
Gain on modification of convertible notes	36	–	(340)
Gain on early redemption of convertible notes	8	(1,097)	(2,151)
Depreciation of property, plant and equipment	9	1,107	2,081
Loss on disposal of property, plant and equipment	9	2	9
Gain on financial assets at fair value through profit or loss	7	–	(98)
Fair value change of derivative financial assets	36	13	6,441
Gain on disposal of subsidiaries	42	–	(31,745)
Amortisation of prepayments	23	–	2,092
Impairment loss of trade receivables	26	431	246
Impairment loss of intangible assets	19	973	2,690
Finance costs	10	6,838	16,452
Operating cash flow before working capital changes		(37,708)	(38,151)
Decrease/(increase) in inventories		196	(19,156)
Decrease/(increase) in trade receivables		1	(3,134)
Increase in loan receivables		(18,157)	–
(Increase)/decrease in prepayments, deposits and other receivables		(28,134)	4,608
Increase in trade payables		203	3,366
Increase/(decrease) in other payables and accruals		1,951	(27,269)
Increase/(decrease) in receipts in advance		51	(5,370)
Increase in amount due from an associate		(3,000)	–
Decrease in amount due to a director		(1,669)	(8,899)
Decrease in amount due to a shareholder		–	(4,000)
Cash used in operations		(86,266)	(98,005)
Profits tax paid		–	(61)
Interest element on finance lease rental payments		–	(2)
Net cash outflow from operating activities		(86,266)	(98,068)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from investing activities			
Interest received		714	3
Acquisition of available-for-sale financial assets		(1,170)	–
Interests in associates		(4,000)	–
Investment in a joint venture		(23,800)	–
Purchase of property, plant and equipment		(471)	(1,147)
Net cash outflow from acquisition of assets	41	(5,466)	–
Increase in prepayments		(3,792)	–
Change in pledged bank deposits		(710)	–
Proceeds from disposal of property, plant and equipment		3	28
Proceeds from disposal of financial assets at fair value through profit or loss		–	3,227
Net cash outflow from disposal of subsidiaries	42	–	(12,610)
Net cash outflow from investing activities		(38,692)	(10,499)
Cash flows from financing activities			
Interest paid		(6,796)	(14,721)
Proceeds from issue of shares		43,360	86,962
Proceeds from issue of bonds		101,106	13,000
Proceeds from issue of convertible notes		–	59,250
Early redemption of convertible notes		(10,000)	(31,470)
Repayment of convertible notes upon expired		–	(23,530)
Capital element of finance lease rental payments		–	(47)
Net cash inflow from financing activities		127,670	89,444
Net increase/(decrease) in cash and cash equivalents		2,712	(19,123)
Cash and cash equivalents at the beginning of the year		3,843	19,258
Effects of exchange rate changes on the balance of cash held in foreign currencies		–	3,708
Cash and cash equivalents at the end of the year		6,555	3,843
Analysis of balances of cash and cash equivalents			
Cash and bank balances	29	6,555	3,843

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. CORPORATE INFORMATION

Grand Peace Group Holdings Limited (the "Company") (formerly known as FAVA International Holdings Limited) 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, sales of funeral related products and loan financing business.

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 2014. The 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 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

Except for the amendments to HKAS 10, HKFRS 12 and HKAS 27, the application of the 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 10, HKFRS 12 and HKAS 27 are described below.

Amendments to HKAS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define as investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[4]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Join Operations[5]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[5]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[4]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[5]
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor Associate or Join Venture[5]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

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.

- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

HKFRS 9 Financial Instruments *(Continued)*

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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.

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS/HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate regulated goods or services.

The amendments to HKFRS 14 apply prospectively for annual periods beginning on or after 1 January 2016. The Directors do not anticipate that the application of these amendments to HKFRS 14 will have a material impact on the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

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

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The Directors do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group’s consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group’s consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group’s consolidated financial statements as the Group is not engaged in agricultural activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

– At cost,

– In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9), or

– Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The Directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

– The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

– A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

– A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

– An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

– New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

– The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Annual Improvements to HKFRSs 2010-2012 Cycle *(Continued)*

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held for- distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure - Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

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. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32). In accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

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

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

The principal accounting policies are set our below.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Basis of consolidation *(Continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Basis of consolidation *(Continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Investments in associate and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 or when the investment is designated as at fair value through profit or loss upon initial recognition.

Under equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes and long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinued recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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.

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 as established at the date of acquisition of the business (see the accounting policy above) 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.

The Group's policy for goodwill arising on the acquisition of an associate is described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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:

Leasehold improvements	Over the lease terms
Motor vehicles	18%
Building	Over the lease terms
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Property, plant and equipment and depreciation *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

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, loan receivables, amount due from an associate, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Financial instruments *(Continued)*

Equity instruments *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Financial instruments *(Continued)*

Equity instruments *(Continued)*

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, amount due to a director, amount due to a shareholder, borrowings and obligation under finance lease) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Financial instruments *(Continued)*

Derecognition *(Continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 sales 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, 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

(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.

(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 2014 was approximately HK$89,792,000 (2013: HK$86,813,000).

(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	
	2014	2013
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**165,225**	104,435
Derivative financial assets	**–**	243
Available-for-sale financial assets	**760**	–
	165,985	104,678
Financial liabilities		
Measured at amortised cost	**120,878**	23,285

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

(a) Categories of financial instruments *(Continued)*

	The Company	
	2014	2013
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**97,866**	33,383
Derivative financial assets	**–**	243
Available-for-sale financial assets	**760**	–
	98,626	33,626
Financial liabilities		
Measured at amortised cost	**118,751**	20,109

(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, concentration risk and liquidity risk. The directors of the Company review and agree 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

Market risk *(Continued)*

Foreign currency risk management

The Group has minimal exposures to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the respective subsidiaries. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

As at 31 December 2014 and 2013, 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.

Concentration risk

No customers whose revenues individually represents greater than 10% of the total revenue of the Groups for the years ended 31 December 2013 and 2014.

No trade receivable from individual customer represents greater than 10% of the total trade receivables of the Groups as at 31 December 2013 and 2014.

Liquidity risk

The Group's liquidity risk management includes diversifying the funding sources. Internally generated cash flow and issuance of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
The Group					
2014					
Non-derivative financial liabilities					
Trade payables	–	**284**	**–**	**284**	**284**
Other payables and accruals	–	**6,364**	**–**	**6,364**	**6,364**
Amount due to a director	–	**124**	**–**	**124**	**124**
Borrowings	19	**58,402**	**88,830**	**147,232**	**114,106**
		65,174	**88,830**	**154,004**	**120,878**
2013					
Non-derivative financial liabilities					
Trade payables	–	81	–	81	81
Other payables and accruals	–	4,279	–	4,279	4,279
Amount due to a director	–	1,793	–	1,793	1,793
Convertible notes	15	10,000	–	10,000	4,132
Borrowings	8	–	15,720	15,720	13,000
		16,153	15,720	31,873	23,285

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
The Company					
2014					
Non-derivative financial liabilities					
Other payables and accruals	–	**4,519**	**–**	**4,519**	**4,519**
Amount due to a subsidiary	–	**4,962**	**–**	**4,962**	**4,962**
Borrowings	19	**52,852**	**88,830**	**141,682**	**109,270**
		62,333	**88,830**	**151,163**	**118,751**
2013					
Non-derivative financial liabilities					
Other payables and accruals	–	1,184	–	1,184	1,184
Amount due to a director	–	1,793	–	1,793	1,793
Convertible notes	15	10,000	–	10,000	4,132
Borrowings	8	–	15,720	15,720	13,000
		12,977	15,720	28,697	20,109

Fair value measurement

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively.

(ii) the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

(iii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

Fair value measurement *(Continued)*

Some of the Group's financial asset are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31 December 2014 HK$'000	31 December 2013 HK$'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
Available-for-sale financial assets	**760**	–	Level 1	Quoted bid prices in an active market.

There are no transfers 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 liability components of convertible notes as at 31 December 2013 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.

The fair value of the liability component of convertible notes is the present value of the contractually determined stream of future cash flows discounted at the interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without conversion option.

	Fair value hierarchy as at 31 December 2014			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets				
Available-for-sale financial assets	**760**	**–**	**–**	**760**

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

The fair values of the financial assets included in the level 1 above have been determined in accordance with quoted prices in active market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

(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 borrowings and amount due to a director 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 2014, 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.

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

	2014 **HK$'000**	2013 HK$'000
Debts #	**114,230**	17,132
Shareholders' equity	**182,272**	189,669
Gearing ratio	**62.67%**	9.03%

\# Total debts comprise borrowing and amount due to a director as detailed in Note 31 and 34 respectively.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. SEGMENT INFORMATION *(Continued)*

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

- Direct retail of household products (Discontinued during year ended 31 December 2013)
- Indirect retail of household products and others (Discontinued during the year ended 31 December 2013)
- Provision of funeral services and sales of funeral related products
- Loan financing business

(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 operations					
	Provision of funeral services and sales of funeral related products		Loan financing business		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Segment revenue:						
Sales to external customers	**74,301**	67,070	**464**	–	**74,765**	67,070
Segment results	**(13,852)**	(25,893)	**(233)**	–	**(14,085)**	(25,893)
Interest income					**4**	2
Unallocated gains					**195**	2,719
Change in fair value of derivative financial assets					**(13)**	(6,441)
Gain on redemption of convertible notes					**1,097**	–
Corporate and other unallocated expenses					**(25,621)**	(17,240)
Finance costs					**(6,838)**	(16,452)
Share of result of associates					**(30)**	–
Share of result of a joint venture					**(1,156)**	–
Loss before taxation					**(46,447)**	(63,305)
Taxation					**7**	179
Loss for the year					**(46,440)**	(63,126)

There were no inter-segment sales in the year (2013: 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 conversion options embedded in convertible notes, finance costs and income tax credit. This is the measure reported to chief operating decision makes for the purposes of resource allocation and assessment of segment performance.

No customers whose revenue individually represents greater than 10% of the total revenue of the Group for the years ended 31 December 2013 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. SEGMENT INFORMATION *(Continued)*

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

	Continuing operations					
	Provision of funeral services and sales of funeral related products		Loan financing business		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets and liabilities						
Segment assets	**128,639**	133,886	**24,144**	–	**152,783**	133,886
Corporate and other unallocated assets					**136,021**	70,297
Total assets					**288,804**	204,183
Segment liabilities	**2,726**	3,784	**5,020**	–	**7,746**	3,784
Corporate and other unallocated liabilities					**113,790**	21,076
Total liabilities					**121,536**	24,860

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

- All asset are allocated to operating segments other than financial assets at fair value through profit or loss, conversion options embedded in convertible bonds and other corporate assets.
- All liabilities are allocated to operating segments other than convertible notes, bond liabilities, deferred tax liabilities and other corporate liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. SEGMENT INFORMATION *(Continued)*

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

	Discontinued operations		Continuing operations							
	Indirect retail of household products		Provision of funeral services and sales of funeral related products		Loan financing business		Unallocated		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Other segment information										
Depreciation of property, plant and equipment	**–**	1,153	**1,090**	910	**17**	–	**–**	18	**1,107**	2,081
Amortisation of prepayments	**–**	2,092	**–**	–	**–**	–	**–**	–	**–**	2,092
Capital expenditure	**–**	440	**324**	705	**5,422**	–	**–**	2	**5,746**	1,147
Impairment loss of intangible assets	**–**	–	**973**	2,690	**–**	–	**–**	–	**973**	2,690
Provision for impairment loss of trade receivables	**–**	–	**431**	246	**–**	–	**–**	–	**431**	246
Provision for impairment loss of loan receivables	**–**	–	**–**	–	**118**	–	**–**	–	**118**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 belows.

	Discontinued operations		Continuing operations							
	Indirect retail of household products		Provision of funeral services and sales of funeral related products		Loan financing business		Unallocated		Total	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Sales										
Hong Kong	–	–	74,056	67,070	464	–	–	–	74,520	67,070
The PRC	–	55,340	245	–	–	–	–	–	245	55,340
	–	55,340	74,301	67,070	464	–	–	–	74,765	122,410
Non-current assets										
Hong Kong	–	–	9,800	6,568	7,289	–	5,965	18	23,054	6,586
The PRC	–	–	85,051	83,503	–	–	21,594	–	106,645	83,503
	–	–	94,851	90,071	7,289	–	27,559	18	129,699	90,089

(c) Other information

Revenue from major products

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

	2014 HK$'000	2013 HK$'000
Indirect retail of household products and others	–	55,340
Provision of funeral services and sales of funeral related products	74,301	67,070
Loan interest income	464	–
	74,765	122,410

For the year ended 31 December 2014 and 2013, no other single customer contributed 10% or more to the Group's revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. TURNOVER AND OTHER REVENUE

The Group

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

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

	2014 HK$'000	2013 HK$'000
Turnover:		
Continuing operations		
Provision of funeral services and sales of funeral related products	74,301	67,070
Loan interest income	464	–
	74,765	67,070
Discontinued operation		
Indirect retail of household products	–	55,340
	74,765	122,410

	2014 HK$'000	2013 HK$'000
Other revenue:		
Continuing operations		
Bank interest income	714	2
Gain on financial assets at fair value through profit or loss	–	98
Sundry income	474	66
	1,188	166
Discontinued operation		
Bank interest income	–	1
	1,188	167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. OTHER NET GAIN AND LOSS

The Group

	2014 HK$'000	2013 HK$'000
Continuing operations		
Gain on modification of convertible notes	–	340
Gain on redemption of early convertible notes	1,097	2,151
Impairment loss of intangible assets (Note 19)	(973)	(2,690)
	124	(199)

9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

The Group

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

	2014 HK$'000	2013 HK$'000
Cost of inventories sold	531	653
Auditors' remuneration	650	650
Loss on disposal of property, plant and equipment	2	9
Provision for impairment loss on trade receivables (Note 26)	431	246
Provision for impairment loss on loan receivables (Note 24)	118	–
Depreciation on owned property, plant and equipment	1,107	918
Depreciation on property, plant and equipment held under finance lease	–	10
	1,107	928
Minimum lease payments under operating leases:		
Funeral Parlour	55,800	55,800
Land and buildings	502	440
	56,302	56,240
Employee benefits expense (excluding directors' remuneration (Note 11):		
Wages, salaries and other allowances	9,476	8,224
Pension scheme contributions	404	362
	9,880	8,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

10. FINANCE COSTS

The Group

	2014 HK$'000	2013 HK$'000
Continuing operations		
Interests on:		
Bank and other borrowings		
– wholly repayable within five years	4,772	2,570
– wholly repayable more than five years	1,700	–
Finance leases	–	2
Other Interest expenses	324	1,123
Interests on convertible notes (Note 36)	42	12,757
Total borrowing costs	6,838	16,452

11. DIRECTORS' REMUNERATION

The Group

Directors' remuneration for the year, disclosed pursuant to the GEM Listing Rules and Section 78 to Schedule 11 of the New Hong Kong Companies Ordinance (Cap 622), is as follows:

	2014 HK$'000	2013 HK$'000
Fees	1,580	1,660
Other emoluments:		
Salaries, allowances and benefits in kind	560	331
Pension scheme contributions	27	15
	2,167	2,006

During the years ended 31 December 2014 and 2013, none of the directors were granted share options under the share options scheme operated by the Company.

(a) Independent non-executive directors

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

	2014 HK$'000	2013 HK$'000
Mr. Liu Qing Chen	120	108
Mr. Tan Xiao Yan	60	24
Mr. Zhang Chun Qiang	60	24
Mr. Yang Jie	–	–
	240	156

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. DIRECTORS' REMUNERATION *(Continued)*

The Group *(Continued)*

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
2014				
Executive directors:				
Mr. Li Ge (Note)	**1,340**	**–**	**–**	**1,340**
Mr. Sun Miguel	**–**	**320**	**15**	**335**
Mr. Cheng Wai Keung	**–**	**240**	**12**	**252**
	1,340	**560**	**27**	**1,927**
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

Note:

Mr. Li Ge is also the Chief Executive of the Company during the years ended 31 December 2014 and 2013.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2014 (2013: 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 (2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. FIVE HIGHEST PAID EMPLOYEES

The Group

The five highest paid employees during the year included one (2013: one) director, details of whose remuneration are set out in Note 11 above. Details of the remuneration of the remaining four (2013: four) non-director, highest paid employees for the year are as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,461**	2,304
Pension scheme contributions	**67**	58
	3,528	2,362

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

	Number of employees	
	2014	2013
Nil to HK$1,000,000	**4**	4

During the year ended 31 December 2014, no share options were granted to non-director, highest paid employees in respect of their services to the Group (2013: 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 (2013: Nil).

13. TAXATION

The Group

No provision for Hong Kong profits tax has been made during the year as the Group has no assessable profits arising in Hong Kong (2013: 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 (2013: Nil).

	The Group	
	2014	2013
	HK$'000	HK$'000
Continuing operations		
Current taxation – Hong Kong	**–**	–
Current taxation – PRC	**–**	–
Deferred taxation (Note 37)	**(7)**	(179)
Tax credit for the year	**(7)**	(179)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. TAXATION *(Continued)*

The Group *(Continued)*

	The Group	
	2014	2013
	HK$'000	HK$'000
Discontinued operations		
Current taxation - Hong Kong	**–**	–
Current taxation - PRC	**–**	124
Deferred taxation (Note 37)	**–**	–
Tax charge for the year	**–**	124

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

	2014		2013	
	HK$'000	**%**	HK$'000	%
Loss before taxation				
– Continuing operations	**(46,447)**		(63,305)	
– Discontinued operation	**–**		29,480	
	(46,447)		(33,825)	
National tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	**(7,849)**	**(16.9)**	(6,364)	(18.8)
Tax effect of share of result of associates	**5**	**–**	–	–
Tax effect of share of result of a joint venture	**288**	**0.6**	–	–
Tax effect of expenses not deductible for tax purpose	**7,922**	**17.1**	4,214	12.5
Tax effect of income not taxable for tax purpose	**(7,454)**	**(16.0)**	(5,509)	(16.3)
Tax effect of unrecognised temporary difference	**–**	**–**	–	–
Tax loss not recognised	**7,081**	**15.2**	7,659	22.6
Under provision in prior years	**–**	**–**	124	0.4
Deferred taxation on convertible notes	**7**	**–**	(179)	(0.6)
Tax credit for the year at the Group's effective rate	**–**	**–**	(55)	(0.2)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. TAXATION *(Continued)*

The Group *(Continued)*

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

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax losses	**38,784**	37,616	**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

The Group

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. Upon the completion of the disposal of the Sale Shares (the "Disposal") pursuant to the terms and conditions of the Agreement, the Target Company will cease to be a subsidiary of the Company and the results, assets and liabilities will be deconsolidated from the consolidated accounts of the Company. 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 disposed was completed at 24 May 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

14. DISCONTINUED OPERATION *(Continued)*

The Group *(Continued)*

Disposal of indirect household products operation *(Continued)*

The profit from the discontinued operation which has been included in the consolidated statements of comprehensive income and consolidated statements of cash flows are set out below:

	2013 HK$'000
Profit for the year from discontinued operation	
Turnover	55,340
Cost of sales	(46,273)
Other revenue	1
Selling and distribution costs	(2,650)
Administrative expenses	(8,619)
Loss before taxation	(2,201)
Taxation	(124)
Loss for the year	(2,325)
Gain on disposal of subsidiaries (Note 42 (a))	31,681
Profit for the year from discontinued operation	29,356
Profit for the year from discontinued operations attributable to:	
Owners of the Company	29,937
Non-controlling interest	(581)
	29,356
Profit for the year from discontinued operation includes the following:	
Depreciation on owned property, plant and equipment	1,153
Amortisation of prepayments	2,092
Cash flows from discontinued operation	
Net cash outflow from operating activities	(3,153)
Net cash outflow from investing activities	(438)
Effects of exchange rate changes on the balance of cash held in foreign currencies	3,554
Net cash outflows	(37)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Company

The loss attributable to owners of the Company for the year ended 31 December 2014 included a loss of approximately HK$23,161,000 (2013: loss of HK$27,651,000) which has been dealt with in the consolidated financial statements of the Company.

16. DIVIDENDS

The Group

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 31 December 2014 (2013: Nil).

17. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group

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.

	2014 HK$'000	2013 HK$'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	**(41,782)**	(28,764)
Continuing operations		
Loss profit attributable to owners of the Company, used in the basic loss per share calculation from continuing operations	**(41,782)**	(58,701)

	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,637,353**	301,907

Discontinued operation

Basic and diluted earnings per share for the discontinued operations is HK$nil cents per share (2013: loss per share of HK$9.9 cents per share).

Diluted loss per share for the years ended 31 December 2014 and 2013 was the same as the basic loss per share as there was no diluted event during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	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 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 and 1 January 2014	3,421	220	172	1,189	5,002
Additions	–	220	3	248	471
Disposals	–	–	–	(5)	(5)
At 31 December 2014	3,421	440	175	1,432	5,468
Accumulated depreciation and impairment:					
At 1 January 2013	481	30	27	355	893
Charge for the year	677	45	34	172	928
Disposals	–	–	–	(12)	(12)
Disposals through disposals of subsidiaries	–	–	–	(83)	(83)
At 31 December 2013 and 1 January 2014	1,158	75	61	432	1,726
Charge for the year	697	108	34	268	1,107
At 31 December 2014	1,855	183	95	700	2,833
Carrying amount:					
At 31 December 2014	**1,566**	**257**	**80**	**732**	**2,635**
At 31 December 2013	2,263	145	111	757	3,276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 2013	52	1	219	272
Transfer from a subsidiary	–	10	15	25
At 31 December 2013, 1 January 2014 and 31 December 2014	52	11	234	297
Accumulated depreciation:				
At 1 January 2013	52	1	219	272
Charge for the year	–	2	5	7
At 31 December 2013 and 1 January 2014	52	3	224	279
Charge for the year	–	2	4	6
At 31 December 2014	52	5	228	285
Carrying amount:				
At 31 December 2014	**–**	**6**	**6**	**12**
At 31 December 2013	–	8	10	18

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTANGIBLE ASSETS

The Group

	Funeral Parlour Licence and Undertaker's Licence HK$'000 (Note (i))	Sub-contracting Agreement HK$'000 (Note (ii))	Money Lender Licence HK$'000 (Note (iii))	Total HK$'000
Cost:				
At 1 January 2013	6,000	79,996	–	85,996
Exchange alignment	–	3,507	–	3,507
At 31 December 2013 and 1 January 2014	6,000	83,503	–	89,503
Acquisition of assets (Note (41))	–	–	5,275	5,275
Exchange alignment	–	(1,323)	–	(1,323)
At 31 December 2014	6,000	82,180	5,275	93,455
Accumulated amortisation and impairment:				
At 1 January 2013	–	–	–	–
Impairment loss recognised	2,690	–	–	2,690
At 31 December 2013 and 1 January 2014	2,690	–	–	2,690
Impairment loss recognised	–	973	–	973
At 31 December 2014	2,690	973	–	3,663
Carrying amount:				
At 31 December 2014	**3,310**	**81,207**	**5,275**	**89,792**
At 31 December 2013	3,310	83,503	–	86,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTANGIBLE ASSETS *(Continued)*

The Group *(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$nil (2013: HK$2,690,000) 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 (2013: 5-year) period. The discount rate applied was approximately 24.85% (2013: 21.48%)

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 2013. 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.

Based on the estimation of the directors, approximately HK$973,000 (2013: HK$Nil) impairment loss in respect of the Sub-contracting Agreement was recognised during the years ended 31 December 2014 and 2013 respectively, 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 28-year period (2013: 29-year period). The discount rate applied was approximately 19.69% (2013: 18.85%).

The decrease in recoverable amount was due to there were torrential rainstorms hit Guangdong Province between April and May 2014 significantly affected the project progress which caused the first year's projected income to be deferred and resulted in a decrease in the value of the recoverable amount to approximately of HK$5,275,000 based on the calculation method mentioned above.

(iii) The Money Lender License represents the right granted to the Group for carrying on loan financing business for an indefinite period of time. Such intangible assets 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. No impairment loss was recognised during the year.

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 5 year. The discount rate applied was approximately 14.58%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. INTERESTS IN SUBSIDIARIES

The Company

	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	–	–
Less: Provision for impairment loss of investment cost (Note i)	–	–
	–	–
Amounts due from subsidiaries (Note ii)	225,574	126,216
Less: Provision for impairment loss of amounts due from subsidiaries	(140,055)	(93,782)
	85,519	32,434

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

	2014 HK$'000	2013 HK$'000
Balance at the beginning of the year	93,782	61,322
Provision for impairment loss of amounts due from subsidiaries (Note iii)	46,273	55,634
Reversal of provision for impairment loss of amounts due from subsidiaries (Note iv)	–	(23,174)
Balance at the end of the year	140,055	93,782

Notes:

(i) In view of the accumulated losses and net liabilities position of the Company's subsidiaries as at 31 December 2014 and 2013, 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 2014 and 2013, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. INTERESTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

Particulars of the Company's subsidiaries as at 31 December 2014 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 sales of funeral related products, Hong Kong
South China Memorial Park & Funeral Service Limited	Hong Kong, limited liability company	HK$10,000	60%	60%	Provision funeral services and sales 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 Company	the PRC Island, limited	HK$1,000,000	100%	100%	Provision of funeral services and sales of funeral related products, the PRC
Elite Finance Global Limited	British Virgin Island, limited liability company	US$1	100%	100%	Inactive, Hong Kong
Merit Vision Holdings Limited	British Virgin Island, limited liability company	US$1	100%	100%	Inactive, Hong Kong
Able Wealthy (China) Limited	Hong Kong, limited liability company	HK$1	100%	100%	Inactive, Hong Kong
Join Wealth Finance (Hong Kong) Limited*	Hong Kong, limited liability company	HK$1	100%	100%	Loan financing business, Hong Kong
仁長智匯(深圳)科技有限公司	the PRC Island, limited	–	100%	100%	Inactive, the PRC

* Join Wealth Finance (Hong Kong) Limited was acquired on 25 March 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. INTERESTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

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 is material to the Group and therefore no information is disclosed for these non-wholly owned subsidiaries
Significant restriction

Cash at bank and in hand dominated in RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations provide restrictions provide restriction on exporting capital from the PRC, other than through normal dividend.

21. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

The Group

(a) Interests in associates

Details of the Group's interests in associates are follows:

	2014 HK$'000
Cost of investments in associates, Unlisted	4,000
Share of post-acquisition loss and other Comprehensive loss, net of dividends received	(30)
	3,970
Amount due from an associate	3,000

The amount due from an associate is unsecured, interest-free and repayable on demand.

Detail of the Group's material associates at the end of the reporting period is as follows:

Name of associates	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
Miracle Power Limited (Note)	Hong Kong, limited liability	HK$390,000	25%	25%	Retailing of cats and food

Note: Miracle Power acquired by the Group at 22 July 2014. Best Pedigree Cattery Limited is wholly owned subsidiary of Miracle Power Limited (Incorporated in Hong Kong, limited liability, issued and paid up capital of HK$2)

The associates are accounted for using the equity method in these consolidated financial statements.

	2014 HK$'000
Current assets	1,778
Non-current assets	2,326
Current liabilities	(5,131)
The above amounts of assets and liabilities include the following;	
Cash and cash equivalents	210

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

21. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE *(Continued)*

The Group *(Continued)*

(a) Interests in associates *(Continued)*

	2014 HK$'000
Loss for the year	(119)
Other comprehensive loss for the year	–
Total comprehensive loss for the year	(119)

There is no interest income, interest expenses and income tax expenses during the year.

Reconciliation of the summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	2014 HK$'000
Net liabilities of associate	(1,027)
Proportion of the Group's ownership interests in associates	25%
Goodwill	4,227
Carrying amount of the Group's interests in associates	3,970

(b) Investment in a joint venture

Details of the Group's interest in a joint venture are follows:

	2014 HK$'000
Cost of investments in joint venture	
Unlisted	23,800
Share of post-acquisition loss and other comprehensive loss, net of dividends received	(2,206)
	21,594

Detail of the Group's material joint venture at the end of the reporting period is as follows:

Name of Joint Venture	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
惠州市福澤頤養服務有限公司 ("福澤頤養")	the PRC, non-wholly owned foreign Company	HK$3,800,000	65%	65%	Inactive, the PRC

福澤頤養 formed by the Group and an independent third party shareholder on 12 May 2014.

The Group holds 65% of the issued share capital and can appoint 2 out of 3 directors of 福澤頤養. However, under Memorandum and Articles of Association, the board decisions of 福澤頤養 need to be approve by 75% of the board of directors of 福澤頤養, therefore, the directors of the Company consider that the Group does not have control over 福澤頤養 and need the approve and co-operation of another shareholder of 福澤頤養for board decision and daily operation of 福澤頤養, hence, classified 福澤頤養 as a Joint Venture of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

21. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE *(Continued)*

The Group *(Continued)*

(b) Investment in a joint venture *(Continued)*

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2014 HK$'000
Current assets	503
Non-current assets	35,408
Current liabilities	(2,690)
The above amounts of assets and liabilities include the following;	
Cash and cash equivalents	90

	2014 HK$'000
Loss for the year	(1,778)
Other comprehensive loss for the year	(1,616)
Total comprehensive loss for the year	(3,394)

The above loss for the year include the following:

	2014 HK$'000
Amortisation of prepayments	1,065

There is no interest income, interest expense and income tax expense during the year.

Reconciliation of the summarised financial information to the carrying amount of the interest in joint venture recognised in the consolidated financial statements:

	2014 HK$'000
Net asset of joint venture	33,221
Proportion of the Group's ownership interest in joint venture	65%
Carrying amount of the Group's interest in joint venture	21,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group and the Company	
	2014	2013
	HK$'000	HK$'000
Equity securities at fair value:		
Listed outside Hong Kong (Note (a))	**760**	–

Note:

(a) As at 27 February 2014, the Group acquired 1,500,000 shares in Network CN Inc.("NCN"), which is a US based publicly traded company, listed on the Over the Counter Bulletin Board market (OTCBB) under the symbol of NWCN. NCN is engaged in the provision of out-of-home advertising in China through the operation of a network of roadside LED digital video panels, mega-size LED digital video billboards and light boxes in major cities.

The directors of the Company confirmed that they have ability and intension to hold shares of NCN in long term.

23. PREPAYMENTS

The Group

The prepayments represent prepayments for construction in relation to the infrastructure surrounding the cemetery.

24. LOANS RECEIVABLES

The Group

	2014
	HK$'000
Loans receivables – secured	**–**
Loans receivables – unsecured	**18,449**
Total loans receivables	**18,449**
Less: non-current portion	**(7,156)**
Current portion	**11,293**

The Group's loans receivables, which arise from the Loan Financing Business acquired during the year ended 31 December 2014, are denominated in Hong Kong dollars as at 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. LOANS RECEIVABLES *(Continued)*

The Group *(Continued)*

Loans receivables are bear interest and are repayable with fixed terms ranged from 1 to 10 year agreed with the customers as at 31 December 2014. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables mentioned above.

A maturity profile of the loans receivables net of impairment allowance as at the end of the reporting periods, based on the maturity date is as follows:

	2014 **HK$'000**
Current	**11,293**
2 to 5 years	**5,624**
Over 5 years	**1,532**
	18,449

The credit quality of loans receivables that are neither past due nor impaired has been assessed by reference to historical information about counterparty default rates. The existing counterparties do not have defaults during the year.

25. INVENTORIES

The Group

	2014 **HK$'000**	2013 HK$'000
Finished goods	**171**	367

As at 31 December 2014, no inventories of the Group were carried at net realisable value (2013: Nil).

26. TRADE RECEIVABLES

The Group

The average credit period on sales of goods is 30 days (2013: 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.

	2014 **HK$'000**	2013 HK$'000
Trade receivables	**922**	923
Less: Provision for impairment loss of trade receivables	**(677)**	(246)
	245	677

As at 31 December 2014, the Group's trade receivables of approximately HK$677,000 (2013: HK$246,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. TRADE RECEIVABLES *(Continued)*

The Group *(Continued)*

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:

	2014 **HK$'000**	2013 HK$'000
91 - 180 days	**–**	101
Over 180 days	**245**	576
	245	677

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately HK$245,000 (2013: HK$677,000) 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:

	2014 **HK$'000**	2013 HK$'000
61 - 90 days	**–**	38
91 - 180 days	**–**	108
Over 180 days	**245**	531
	245	677

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. TRADE RECEIVABLES *(Continued)*

The Group *(Continued)*

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

	2014 HK$'000	2013 HK$'000
Balance at the beginning of the year	246	–
Provision for impairment loss of trade receivables	431	246
Balance at the end of the year	677	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.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Prepayments	865	9,049	249	246
Other deposits and receivables (Note (a))	46,818	2,943	5,535	–
Consideration receivable on disposal of subsidiaries (Note (b))	61,208	68,732	–	–
	108,891	80,724	5,784	246

Note:

(a) Other receivables of the Group mainly represents refundable deposit of amount to HK$38,000,000 (2013: HK$Nil) for proposed acquisition of Solaron Limited and its subsidiaries Kowloon Funeral Parlour Company Limited as stated in Note 47(a).

(b) The term of repayment was restate during the year ended 31 December 2014. For detail, please refer to Note 42(a) and management discussion and analysis section.

In view of directors of the Company, the amount still receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

28. PLEDGED BANK DEPOSITS

The Group

As at 31 December 2014, The Group's bank deposits of approximately HK$28,950,000 (2013: HK$28,240,000) denominated in HKD were pledged as security for the Group's credit facilities granted by a bank.

29. CASH AND BANK BALANCES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**6,555**	3,843	**3,812**	949

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$1,454,000 (2013: HK$ nil). 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.

30. TRADE PAYABLES

The Group

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

	2014	2013
	HK$'000	HK$'000
0 - 30 days	**68**	37
31 - 60 days	**85**	39
61 - 90 days	**–**	–
91 - 180 days	**–**	–
Over 180 days	**131**	5
	284	81

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

31. BORROWINGS

The Group

	2014 HK$'000	2013 HK$'000
Secured (Note (iii))	30,000	–
Unsecured (Note (iv))	84,106	13,000
	114,106	13,000
Carrying amount repayable :		
Within one year	51,657	–
More than one year, but not exceeding two years	16,963	13,000
More than two years, but not exceeding five years	17,871	–
More than five years	27,615	–
	114,106	13,000
Less: Amounts shown under current liabilities	(51,657)	–
	62,449	13,000

The Company

	2014 HK$'000	2013 HK$'000
Secured	30,000	–
Unsecured	79,270	13,000
	109,270	13,000
Carrying amount repayable :		
Within one year	46,821	–
More than one year, but not exceeding two years	16,963	13,000
More than two years, but not exceeding five years	17,871	–
More than five years	27,615	–
	109,270	13,000
Less: Amounts shown under current liabilities	(46,821)	–
	62,449	13,000

Notes:

(i) The amounts represent the loans from several independent third parties.

(ii) The amount was recognised after net of borrowing cost, commission of approximately HK$9,860,000 (2013: nil) and prepaid interest of approximately HK$20,200,000 (2013: nil).

(iii) The amount of HK$30,000,000 is secured by personal guarantee and the share capital of one of the Group's subsidiaries and carried at effective interest rate of 36.00% per annum.

(iv) As at 31 December 2014, the Group's unsecured borrowings carried effective interest rate of 3.17% to 31.91%per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

32. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**2,780**	1,745	**1,000**	–
Accruals	**3,584**	2,534	**3,519**	1,184
	6,364	4,279	**4,519**	1,184

33. RECEIPTS IN ADVANCE

The Group

	2014	2013
	HK$'000	HK$'000
Receipts in advance	**658**	607

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

34. AMOUNT DUE TO A DIRECTOR

The Group and the Company

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

35. AMOUNT DUE TO A SUBSIDIARY

The Company

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

36. 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 2014 and 2013.

	Convertible Notes 1 HK$'000 (Note (i))	**Convertible Notes 2** HK$'000 (Note (ii))	**Total** HK$'000
Derivative financial assets:			
At 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)
Conversion of convertible notes	–	(4,876)	(4,876)
Early redemption of convertible notes	(421)	(534)	(955)
At 31 December 2013 and 1 January 2014	–	243	243
Change in fair value of derivative financial assets	–	(13)	(13)
Early redemption of convertible notes	–	(230)	(230)
At 31 December 2014	**–**	**–**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

36. CONVERTIBLE NOTES *(Continued)*

The Group and the Company *(Continued)*

	Convertible Notes 1 HK$'000 (Note (i))	Convertible Notes 2 HK$'000 (Note (ii))	Total HK$'000
Financial liability component:			
At 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 and 1 January 2014	–	4,132	4,132
Imputed interest	–	42	42
Early redemption of convertible notes	–	(4,174)	(4,174)
At 31 December 2014	**–**	**–**	**–**

Note (i) - 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. Each note entitles the holder to convert to ordinary shares at a conversion price of HK$0.10.

Conversion may occur at any time between 6 September 2012 to 4 January 2013. The Company will redeem the convertible notes if the notes have not been converted on 5 January 2013, or subject to the agreement between the noteholder and the Company, extended to 5 May 2013. 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: liability components and equity components. The liabilities component is classified as current liabilities and carried at amortised costs using effective interest method. The residual value after recognising the liability components is classified as equity component.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

36. CONVERTIBLE NOTES *(Continued)*

The Group and the Company *(Continued)*

Note (i) - Convertible Notes 1 *(Continued)*

The effective interest rate of the 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 September 2013	43.60%
6 September 2013 to 5 November 2013	45.79%

During the year ended 31 December 2013, all of the Convertible Notes 1 were redeemed 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 liability portion of the redeemed portion of the convertible bond of approximately HK$413,000 was recognised by the Group as a redemption loss of convertible bond and debited to the consolidated statement of comprehensive income for the year ended 31 December 2013.

Note (ii) - Convertible Notes 2

The fair value of liability component, derivative financial assets 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 components	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

In valuing the derivative financial assets components, the Binominal Model was used.

The inputs used for calculation of the fair value of the derivative financial assets 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	–	–
Risk-free rate	0.10%	0.12%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

36. CONVERTIBLE NOTES *(Continued)*

The Group and the Company *(Continued)*

Note (ii) - Convertible Notes 2 *(Continued)*

On 14 May 2013, the Company issued HK$60,000,000 zero coupon Hong Kong dollar, Convertible Notes 2 with the aggregate principal amount of HK$60,000,000. 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: liability component, equity component and derivative financial asset component. The 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 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 liability component.

The conversion price of the convertible bond 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 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
Liability components	22,897
Derivative financial asset	(10,355)
Equity component	47,458
	60,000

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 liability portion of the redeemed portion of the convertible bond of approximately HK$1,606,000 was recognised by the Group as a redemption gain of convertible bond and credited to the consolidated statement of profit or loss 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

36. CONVERTIBLE NOTES *(Continued)*

The Group and the Company *(Continued)*

Note (ii) - Convertible Notes 2 *(Continued)*

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
Risk-free rate	0.67%	1.78%

During the year ended 31 December 2014, the Convertible Notes 2 with principal amount of HK$10,000,000 was early redeemed. The excess of the fair value of the consideration to settle the Convertible Notes 2 over the carrying value of the liability portion of the redeemed portion of the convertible notes of approximately HK$1,097,000 (Note 8) was recognised by the Group as a redemption gain of convertible bond and credited to the consolidated statement of profit or loss for the year ended 31 December 2014.

37. DEFERRED TAX LIABILITIES

The Group and the Company

	Convertible notes HK$'000
At 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 and 1 January 2014	968
Credited to consolidated statement of profit or loss and other comprehensive income (Note 13)	(7)
Early redemption of convertible notes	(961)
At 31 December 2014	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. SHARE CAPITAL

	Ordinary shares		
	Par value	Number of shares	Share capital
	HK$'000		HK$'000
Authorised:			
At 1 January 2013	0.002	250,000,000	500,000
Share consolidation (Note (iii))		(225,000,000)	–
At 31 December 2013, 1 January 2014 and 31 December 2014	**0.02**	**25,000,000**	**500,000**
Issued and fully paid:			
At 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 and 1 January 2014	0.02	1,137,060	22,741
Issue of shares by placing (Note (v))	0.02	637,400	12,748
At 31 December 2014	**0.02**	**1,774,460**	**35,489**

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 1 pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, aggregate maximum of 70,000,000 Placing Shares to not fewer than six Placees 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.

(v) On 25 February 2014 and 1 April 2014, Placing Agent and the Company entered into the Placing Agreement 2 and 3 pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, aggregate maximum of 227,400,000 and 410,000,000 Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners will not be connected persons of the Company and its connected persons.

Share options

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 2014, there was no (2013: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 35 of the consolidated financial statements.

The Group's contributed surplus as at 31 December 2014 and 2013 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.

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For the year ended 31 December 2014

40. RESERVES *(Continued)*

(b) The Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Available-for-sale financial assets HK$'000	Convertible notes reserve HK$'000	Total HK$'000
At 1 January 2013		219,534	36,000	(286,045)	–	429	(30,082)
Issue of shares upon conversion of convertible notes	36	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 and 1 January 2014		317,275	36,000	(370,001)	–	6,798	(9,928)
Loss for the year		–	–	(69,435)	–	–	(69,435)
Other comprehensive income for the year							
Change in fair value of available-for-sale financial assets		–	–	–	(410)	–	(410)
Total comprehensive loss for the year		–	–	(69,435)	(410)	–	(69,845)
Issue of shares by placing	38	32,459	–	–	–	–	32,459
Transaction cost attributable to issue of shares		(1,847)	–	–	–	–	(1,847)
Early redemption of convertible notes	36	–	–	606	–	(6,798)	(6,192)
At 31 December 2014		**347,887**	**36,000**	**(438,830)**	**(410)**	**–**	**(55,353)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. ACQUISITION OF ASSETS

For the year ended 31 December 2014

The Group acquired 100% of the entire issued share capital of Join Wealth Finance (Hong Kong) Limited ("Join Wealth") for an aggregate consideration of approximately HK$6,000,000 (the "Acquisition"). Major assets of Join Wealth are intangible assets-money lender licence, for the purpose of the Acquisition is for the Group to collaborate on the development of loan financing business in the future and as such, the Acquisition has been accounted for as acquisition of the money lenders license (as at the acquisition date, Join Wealth did not have operation activity) rather than business.

The acquisition of Join Wealth did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. Therefore, the Company recognised the assets and liabilities individually at the date of acquisition.

The net assets acquired and recognised at the date of acquisition as follows:

	HK$'000
Net assets acquired:	
Cash and bank balances	534
Prepayment, deposit and other receivables	33
Loan receivables	292
Other payables	(134)
Intangible assets-money lender licence arising on acquisition (Note 19)	5,275
	6,000
Total consideration satisfied by:	
Cash consideration	6,000
Net cash outflow arising on acquisition:	
Cash consideration	(6,000)
Cash and cash equivalents acquired	534
	(5,466)

42. DISPOSAL OF SUBSIDIARIES

(a) Disposal of indirect household products operation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

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

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
Non-controlling interests	(43,501)
The Group's share of net assets	130,504

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	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 27). For the year ended 31 December 2013, the net cash outflow from disposal of the subsidiaries was approximately HK$12,601,000.

For the year ended 31 December 2014, the Group further received approximately HK$7,524,000 consideration receivable. Approximately of HK$61,208,000 was still outstanding as at 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

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

On 24 December 2013, the Group disposed 100% of the issued share capital and net assets 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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. CONTINGENT LIABILITIES

The Group and the Company had no contingent liabilities as at 31 December 2014 (2013: Nil).

44. OPERATING LEASE ARRANGEMENTS

The Group

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 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014 **HK$'000**	2013 HK$'000
Land and buildings		
Within one year	**56,218**	55,800
In the second to fifth years, inclusive	**69,855**	125,550
	126,073	181,350

The Company

The Company leases office properties and staff quarter under operating leases arrangements. Leases for properties are negotiated for lease terms varying from one to two years.

As at 31 December 2014, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014 **HK$'000**	2013 HK$'000
Land and buildings		
Within one year	**286**	–
In the second to fifth years, inclusive	**77**	–
	363	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

45. MATERIAL RELATED PARTY TRANSACTIONS

The Group

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

Compensation of key management personnel of the Group:

	2014 HK$'000	2013 HK$'000
Short term employee benefits	2,459	4,295
Pension scheme contribution	82	73
Total compensation paid to key management personnel	2,541	4,368

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

46. CAPITAL COMMITMENT

The Group

	2014 HK$'000	2013 HK$'000
Commitment for the acquisition of property plant and equipment	2,430	–

47. EVENT AFTER THE REPORTING PERIOD

Pursuant to the announcement of the Company dated on 8 January 2015, the Group entered into a conditional agreement to acquire entire issued share capital of the Solaron Limited and its subsidiaries Kowloon Funeral Parlour Company Limited at a consideration of HK$200,000,000, deposit of amount HK$38,000,000 was paid, up to the date of this report, the acquisition is still not completed.

Other than above and elsewhere disclosed in the notes to the consolidated financial statements, there was no other significant events took place for the Group subsequent to 31 December 2014.

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2015.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2014

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				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
RESULTS					
Continuing operations					
Turnover	**74,765**	67,070	39,165	177,083	181,338
Cost of sales	**(69,237)**	(69,303)	(42,633)	(156,923)	(171,930)
Gross profit/(loss)	**5,528**	(2,233)	(3,468)	20,160	9,408
Other revenue	**1,188**	166	260	310	969
Other net gain and loss	**124**	(199)	6,987	(32,509)	14,124
Gain on disposal of subsidiaries	**–**	64	–	–	–
Selling and distribution costs	**(5,798)**	(5,470)	(4,233)	(20,942)	(15,981)
Administrative expenses	**(39,452)**	(32,740)	(19,824)	(28,442)	(24,918)
Change in fair value of derivative financial assets	**(13)**	(6,441)	–	–	–
Equity-settled share-based payments	**–**	–	–	–	(8,004)
Loss from operations	**(38,423)**	(46,853)	(20,278)	(61,423)	(24,402)
Finance costs	**(6,838)**	(16,452)	(8,000)	(4)	(4)
Share of result of associates	**(30)**	–	–	–	–
Share of result of a joint venture	**(1,156)**	–	–	–	–
Loss before taxation	**(46,447)**	(63,305)	(28,278)	(61,427)	(24,406)
Taxation	**7**	179	–	6,657	(6,574)
Loss for the year from continuing operations	**(46,440)**	(63,126)	(28,278)	(54,770)	(30,980)
Discontinued operations					
Profit/(loss) for the year from continuing operations	**–**	29,356	(67,955)	2,250	1,382
Loss for the year	**(46,440)**	(33,770)	(96,233)	(52,520)	(29,598)
Attributable to:					
Owners of the Company	**(41,782)**	(28,764)	(80,210)	(52,520)	(29,598)
Non-controlling interests	**(4,658)**	(5,006)	(16,023)	–	–
	(46,440)	(33,770)	(96,233)	(52,520)	(29,598)

	As at 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES					
Total assets	**288,804**	204,183	377,727	378,337	390,230
Total liabilities	**(121,536)**	(24,860)	(162,792)	(113,943)	(84,160)