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

ANNUAL REPORT 2015

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

* For identification purpose only

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CONTENTS

CORPORATE INFORMATION

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

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

AUDIT COMMITTEE

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

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

Codan Services Limited
Claredon House
2 Church Street,
Hamilton HM 11,
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPLIANCE ADVISER

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

AUDITORS

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

GEM STOCK CODE

08108

PRINCIPAL 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 (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 2015.

BUSINESS AND FINANCIAL REVIEW

The principal businesses of the Group for 2015 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$78,091,000, while the audited net loss was HK$2,922,000.

For the funeral business in Mainland China, during the year ended 31 December 2015, the total revenue of the Group from the Huidong cemetery amounted to approximately HK$621,000, while the audited net loss was approximately HK$381,000.

The Group's total revenue for the year ended 31 December 2015 from the provision of funeral services and sale of funeral related products in Hong Kong and Mainland China amounted to approximately HK$78,712,000, representing an increase of 5.94% as compared to the same period of last year of approximately HK$74,301,000, while the audited net loss amounted to approximately HK$3,303,000, representing a decrease of 76% in audited net loss as compared to the same period of last year.

For the loan financing business, for the year ended 31 December 2015, the audited revenue of the loan financing business of the Group amounted to approximately HK$4,443,000, while the audited net profit amounted to approximately HK$1,121,000.

惠州市福澤頤養服務有限公司, a joint venture company (the "**JV Company**") established in the PRC by Most Fame (China) Limited ("**Most Fame**"), an indirect wholly-owned subsidiary of the Company, together with an independent third party, is principally engaged in the construction, management and operation of a social elderly nursing home in Huidong County, Huizhou, Guangdong Province, the PRC. The JV Company will enable the JV parties to develop the business of operation of the social elderly nursing home in Guangdong Province, which will attract Hong Kong elderly people. We believe that the proposed elderly nursing home will bring synergistic effect to the cemetery operated by the Group in Huidong.

Since the elderly nursing home is currently still under construction, no income has been generated from the elderly nursing home business during 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 Officer

Hong Kong, 23 March 2016

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 2015.

BUSINESS AND FINANCIAL REVIEW

The Group's principle businesses for the year ended 31 December 2015 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 2015 amounted to approximately HK$83,155,000, representing an increase of 11.22% as compared to the same period last year.

FUNERAL BUSINESS

For the 12 months ended 31 December 2015, the Group recorded total revenue of approximately HK$78,712,000 from the provision of funeral-related services and sale of funeral related products and an audited gross profit of approximately HK$14,818,000. Gross profit margin increased from 6.95% of the same period last year to 18.83% of this year. 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 Hong Kong by the Grand Peace Funeral Parlour), the gross profit margin of the funeral business is improved, but still at a low level.

With the development of operation and reputation over the past few years, and driven by the initial result of cost control, the performance of Grand Peace Funeral Parlour in Hung Hom, Hong Kong has improved. For the 12 months ended 31 December 2015, the Grand Peace Funeral Parlour's total revenue from the provision of funeral services and sale of funeral-related products amounted to approximately HK$78,091,000, representing an increase of 5.45% as compared to the same period last year of approximately HK$74,056,000. The gross profit amounted to approximately HK$14,201,000 and the audited net loss was approximately HK$2,922,000, representing a decrease of 76% in audited net loss as compared to the same period last year of approximately HK$12,178,000. The Group will continue to enhance promotion and advertising investment as well as personnel training to raise the utilisation of the 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 the Huidong County Huaqiao Cemetery. The preliminary infrastructure work of the Huidong cemetery (including the road landscaping and greening in the cemetery area) was completed in the third quarter of 2014 and commenced preliminary business. For the year ended 31 December 2015, the total revenue of the Group from the Huidong cemetery amounted to approximately HK$621,000 and it contributed an audited net loss of approximately HK$381,000, representing a decrease of approximately HK$1,617,000 (80.93%) as compared to the audited net loss for the same period last year of approximately HK$1,998,000 and mainly due to the fact the construction of the Huidong cemetery has not been fully completed yet and its low recognition among customers. The Group will continue to enhance promotion and advertising investment to stimulate the marketing and sales of the Huidong cemetery.

LOAN FINANCING BUSINESS

Revenue from the loan financing business was mainly generated by a finance company indirectly wholly-owned by the Company, which holds a valid Money Lender Licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) qualifying for providing loan financing services to clients.

For the 12 months ended 31 December 2015, the total interest income of the Group from providing loan financing services was approximately HK$4,443,000, while the audited net profit was approximately HK$1,121,000.

ELDERLY HOME BUSINESS

惠州市福澤頤養服務有限公司, a joint venture company (the "**JV Company**") established in the PRC by Most Fame (China) Limited ("**Most Fame**"), an indirect wholly-owned subsidiary of the Company, together with an independent third party, is principally engaged in the construction, management and operation of a social elderly nursing home in Huidong County, Huizhou, Guangdong Province, the PRC. The JV Company will enable the JV parties to develop the business of operation of the social elderly nursing home in Guangdong Province, which will attract Hong Kong elderly people. We believe that the proposed elderly nursing home will bring synergistic effect to the cemetery operated by the Group in Huidong.

Since the elderly nursing home is currently still under construction, no income has been generated from the elderly nursing home business during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

The Group is committed to maintain the requirements of environmental and social standards to ensure the sustainable development of its business. The Group complies with all relevant laws and regulations to its business, including health and safety, working conditions, employment and environment. The Group also encourages employees, customers, suppliers and other stakeholders to involve in environmental and social activities, and build good community together. In order to ensure sustainable development, the Group is committed to maintain close relationship with its employees, strengthen cooperation with its suppliers, and strive to provide the highest quality products and services to its customers.

The Group advocates equal opportunity in hiring staff regardless of age, sex, marital status and ethnicity. We provide job training to help staff upgrade their skills and enhance the Group's efficiency and productivity.

The Group provides health and safety promotion to employees, regular cleaning of air conditioning systems, and hygienic and healthy working environment for all staff. Employees also enjoy medical insurance and other health-benefits.

The Group advocates the principles of conservation, recycling and reuse, such as encouraging more use of electronic communications, using waste paper for printing and copying, setting up recycling bins, as well as reducing energy consumption by powering off lighting, air conditioning and electrical appliances.

The Group understands that it is necessary to provide the highest quality products and services for sustainable development. Therefore, the Group encourages employees, customers, suppliers and other stakeholders to actively communicate with the Group to provide advice and feedback, thereby getting rid of unfavorable factors, improving the quality of products and services and establishing good relationships with all parties. Meanwhile, the Group supports and encourages the parties to actively participate in a wide range of charitable activities in order to raise community awareness and concern for the community, thus inspiring more people to participate in community service.

PROSPECTS

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

In order to expand the Group's existing principal business in the Funeral Parlour and continue its existing principal business with the assets of the Funeral Parlour, on 29 January 2016, Merit Vision Holdings Limited (the wholly-owned subsidiary of the Company, the "Purchaser"), Mr. Kong Lung Cheung (the "Vendor"), and Solaron Limited (the "Target Company"), after arm's length negotiations, the Purchaser, the Target Company and the Vendor entered into an operating agreement (the "Operating Agreement") pursuant to which, the Target Company irrevocably agree to lease and procure lease the properties of KFP, the Funeral Parlour operated by KFP and its related assets and operations (collectively, the "Funeral Parlour Assets") to the Purchaser and the Purchaser agree to lease the Funeral Parlour Assets (the "Lease"), both free from any encumbrance, for a fixed period of five years expiring on the date falling on the fifth anniversary of the commencement date of the Lease (the "Term"). In consideration of the Purchaser entering into the Operating Agreement, the Vendor irrevocably and unconditionally, as primary obligor, undertakes and guarantees the full, prompt and complete performance by the Target Company and KFP (as the case maybe) of all its obligations under the Operating Agreement. The commencement of the Lease, which shall take place on or before 31 August 2016, is conditional upon, among other things, the completion of the KFP Acquisition and the successful raising of not less than HK$200,000,000 by the Company.

For more details, please refer to the announcements of the Company dated 8 January 2015, 30 June 2015, 30 September 2015 and 29 January 2016, respectively.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 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 (the "**Consideration**") (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.

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 29 January 2016, the very substantial acquisition was terminated by the execution of the termination agreement.

For details, please refer to the announcements of the Company dated 8 January 2015, 30 January 2015, 26 February 2015, 20 March 2015, 24 April 2015, 29 May 2015, 30 June 2015, 31 August 2015, 30 September 2015, 30 October 2015 and 29 January 2016 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 45 to the consolidated financial statements.

FINANCIAL REVIEW

The Group generated approximately HK$83,155,000 in total revenue in 2015, representing an increase of 11.22% as compared with year 2014.

The breakdown of the turnover is set out below:

	2015		2014		
	HK$ million	**%**	HK$ million	%	Change
Provision of funeral services and sales of funeral related products	**78.7**	**94.6%**	74.3	99.3%	5.92%
Loan interest income	**4.5**	**5.4%**	0.5	0.7%	800%
Total	**83.2**	**100%**	74.8	100%	

SIGNIFICANT INVESTMENT

The Group had no significant investment held in the year ended 31 December 2015.

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 2015.

As at 31 December 2015, cash and bank balances of the Group was approximately HK$10,070,000 (2014: HK$6,555,000), approximately 16.78% of the Group's cash was denominated in Renminbi and 83.22% 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 2015, the total borrowings of the Group amounted to approximately HK$172,754,000 (2014: approximately HK$114,106,000), representing unsecured bonds of HK$172,754,000 at the effective interest rate ranged from 3.13% per annum to 41.69% per annum.

CAPITAL STRUCTURE

The total number of issued shares of the Company was 354,892,120 as at 31 December 2015.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2015, the Group had 56 employees in Hong Kong and 4 employees in PRC (as at 31 December 2014: 60 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 2015 amounted to approximately HK$11,156,000 (2014: approximately HK$11,646,000).

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

CHARGE ON GROUP'S ASSETS

Save for the pledged bank deposits, the Group did not have any other charge on its assets as at 31 December 2015 (2014: Save as 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).

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

As at 31 December 2015, the Group's gearing ratio was approximately 134.54% representing a percentage of the total borrowings over shareholders' equity (2014: 62.67%), and the net current assets was approximately HK$74,626,000 (2014: approximately HK$100,018,000).

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 2015 (2014: nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

Mr. Li Ge, aged 47, 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. Subsequently, he obtained a Master of Science Degree in Engineering from the Wuhan Industry University (currently known as Wuhan University of Technology). Past experience includes being the executive director and senior consultant of the 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 the Chinese Institute of Certified Public Accountants in 1994. Mr. Li joined our Group since March 2006, he now holds directorships in the 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 subsidiaries of the Company, he is also a director of the 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 43, was appointed as an Executive Director on 24 February 2012. He graduated from the 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 the Merit Vision Holdings Limited which is a wholly-owned subsidiary of the Company, he is also a director of the 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 50, was appointed as an Executive Director on 23 August 2013. He obtained a Bachelor's Degree in Business Administration from the Hong Kong Baptist University. Mr. Cheng has over 22 years experience in the 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. Mr. Cheng now holds the directorship in Elite Finance Global Limited which is a wholly-owned subsidiary of the Company,

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Qing Chen, aged 47, was appointed as a Non-executive Director on 16 May 2011. He 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 25 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 44, was appointed as an Independent Non-executive Director on 24 February 2012. He holds a Bachelor's Degree of Management from the 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 serves as the head of the Auditing Department of Metallurgical Corporation of China Limited. He has over 26 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 47, was appointed as an Independent Non-executive Director on 4 January 2013. She holds a Bachelor's Degree in Economics from the Xiamen University (廈門大學), and Master Degree in Shipping and Transport from the Netherlands Maritime University. Ms. Tan currently serves as an associate professor (副教授) of the Tangshan Industrial Vocational Technical College (唐山工業職業技術學院). She has over 25 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 40, was appointed as the company secretary on 1 March 2015. Mr Hung 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 17 years of experience in accounting, auditing and finance.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of Grand Peace Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2015.

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

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the group's business, can be found in the Management Discussion and Analysis set out on pages 5 to 9 of this Annual Report. This discussion forms part of this directors' report.

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 consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's financial performance for the year ended 31 December 2015 and the financial position of the Group at the balance sheet date are set out in the consolidated financial statements on pages 27 to 30.

No dividend has been declared or proposed by the Directors of the Company in respect of the year ended 31 December 2015 (2014: 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 consolidated financial statements and restated/reclassified as appropriate, is set out on page 94. This summary does not form part of the audited consolidated 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 16 to the consolidated financial statements.

SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

Details of movements in the Company's share capital and share options during the year are set out in notes 35 and 36 to the consolidated 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 2015.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 37 to the consolidated financial statements and in the consolidated statement of changes in equity as set out in the consolidated financial statements on page 31.

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 2015.

In the year under review, expenses arising from purchases of goods and provision of services from the Group's five largest suppliers accounted for 90% 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 87%.

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.

REPORT OF THE DIRECTORS

DONATION

No donation was made by the Group during the year. (2014: HK$500,000).

PENSION SCHEMES

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

DIRECTORS

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

Executive Directors:

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

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. Li Ge and Ms. Tan Xiao Yan will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

Biographical details of the Directors and the Company Secretary of the Company are set out on pages 10 to 11 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 consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

As at 31 December 2015, 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.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

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

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

The maximum number of shares available 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 2015.

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 2015, 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 2015.

(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 2015, 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 2015, 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

Long positions in the ordinary shares of HK$0.1 each of the Company

Name	Notes	Nature and capacity of interest	Number of ordinary shares held	Approximate percentage of the company's total issued capital
Substantial Shareholder				
True Allied Assets Limited	1,2	Beneficial owner	36,618,484	10.32%

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 2015.

(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 2015, 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.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

CORPORATE GOVERNANCE

Principal governance practices adopted by the Company are set out in the Corporate Governance Report in pages 18 to 24.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 45 to the consolidated 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 22 March 2016, a new terms of reference were adopted by the Audit Committee, please refer to the announcement of the Company dated 22 March 2016 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, risk management and 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 2015 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 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
23 March 2016

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 2015, 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 2015 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;

(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 56 meetings during the year 2015. 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)*	56/56	100%
Mr. Sun, Miguel	56/56	100%
Mr. Cheng Wai Keung	56/56	100%
Independent Non-executive Directors		
Mr. Liu Qing Chen	56/56	100%
Mr. Zhang Chun Qiang	56/56	100%
Ms. Tan Xiao Yan	56/56	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.

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 2015, the Company held 1 general meeting, being 1 annual general meeting held on 7 May 2015.

Details of the attendance of the general meeting is as follows:

Name of Directors	Meetings attended/held	Attendance rate
Executive Directors		
Mr. Li Ge *(Chairman and Chief executive officer)*	1/1	100%
Mr. Sun, Miguel	1/1	100%
Mr. Cheng Wai Keung	1/1	100%
Independent Non-executive Directors		
Mr. Liu Qing Chen	1/1	100%
Mr. Zhang Chun Qiang	1/1	100%
Ms. Tan Xiao Yan	1/1	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 remians 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 2016 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 2015, 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 ended 31 December 2015, the remuneration committee has held 1 meeting, and the matters under discussion include to review and recommend on the remuneration packages of all the then Board members.

Detail of the attendance of the Remuneration Committee meeting is as follows:

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%

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 2015, 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 (2014: 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 2015 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
Non-audit services	95
	745

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 2015, namely Mr. Liu Qing Chen (chairman), Ms. Tan Xiao Yan and Mr. Zhang Chun Qiang respectively.

In the year 2015, the Audit Committee had held 4 meetings. The Group's 2015 quarterly reports, 2015 half-yearly report, 2014 and 2015 annual results and 2014 and 2015 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.

Details of 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, INTERNAL CONTROLS AND RISK MANAGEMENT

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 2015, the Directors have conducted a review of the effectiveness of the internal control and risk management system 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 2015.

COMPANY SECRETARY

Mr. Hung Kai Ming has been appointed as company secretary of the Company since 1 March 2015. Pursuant to the GEM Listing Rules, Mr. Hung has taken no less than 15 hours of the relevant professional training during the year.

Mr. Chan Yuk Hiu, Taylor has been appointed as company secretary of the Company since 2006 who resigned on 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
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Grand Peace Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 93, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Company and its Subsidiaries as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 23 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Turnover	7	83,155	74,765
Cost of sales		(64,016)	(69,237)
Gross profit		19,139	5,528
Other revenue	7	1,112	1,188
Other net gain and loss	8	157	124
Selling and distribution costs		(6,452)	(5,798)
Administrative expenses		(33,851)	(39,452)
Change in fair value of derivative financial assets	33	–	(13)
Loss from operations		(19,895)	(38,423)
Finance costs	10	(29,802)	(6,838)
Share of result of associates	19(a)	(655)	(30)
Share of result of a joint venture	19	(1,182)	(1,156)
Loss before taxation		(51,534)	(46,447)
Taxation	13	(112)	7
Loss for the year	9	(51,646)	(46,440)
Other comprehensive (loss)/income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
Net loss arising on revaluation of available-for-sale financial assets		(705)	(410)
Reclassification adjustments relating to impairment of available-for-sale financial assets		1,115	–
		410	(410)
Exchange differences on translating foreign operations		(3,628)	(1,323)
Share of other comprehensive loss of a joint venture		(150)	(1,050)
Total other comprehensive loss for the year, net of tax		(3,368)	(2,783)
Total comprehensive loss for the year		(55,014)	(49,223)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(50,508)**	(41,782)
Non-controlling interests		**(1,138)**	(4,658)
		(51,646)	(46,440)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(53,876)**	(44,565)
Non-controlling interests		**(1,138)**	(4,658)
		(55,014)	(49,223)
Loss per share			
Basic and diluted (HK cents per share)	15	**(14.23)**	(12.76)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	16	10,740	2,635
Intangible assets	17	86,673	89,792
Interests in associates	19(a)	–	3,970
Interest in a joint venture	19(b)	22,879	21,594
Available-for-sale financial assets	20	55	760
Prepayments	21	–	3,792
Loan receivables	22	7,004	7,156
		127,351	129,699
Current assets			
Inventories	23	128	171
Trade receivables	24	232	245
Loan receivables	22	29,174	11,293
Prepayments, deposits and other receivables	25	101,979	108,891
Amount due from an associate	19(a)	–	3,000
Pledged bank deposits	26	29,239	28,950
Cash and bank balances	27	10,070	6,555
		170,822	159,105
Current liabilities			
Trade payables	28	261	284
Borrowings	29	83,031	51,657
Other payables and accruals	30	12,241	6,364
Receipts in advance	31	551	658
Amount due to a director	32	–	124
Tax payable		112	–
		96,196	59,087
Net current assets		74,626	100,018
Total assets less current liabilities		201,977	229,717

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current liability			
Borrowings	29	**89,723**	62,449
Net assets		**112,254**	167,268
Capital and reserves			
Share capital	35	**35,489**	35,489
Reserves	37	**92,907**	146,783
Total equity attributable to owners of the Company		**128,396**	182,272
Non-controlling interests		**(16,142)**	(15,004)
Total equity		**112,254**	167,268

Approved by the Board of Directors on 23 March 2016 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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 Note 37(i)	Accumulated losses HK$'000	Available-for-sales securities revaluation reserve HK$'000 Note 37(ii)	Convertible notes reserve HK$'000 Note 37(iii)	Exchange reserve HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	22,741	317,275	36,000	(196,652)	–	6,798	3,507	189,669	(10,346)	179,323
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)
– Net loss arising on revaluation 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 35)	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 and 1 January 2015	35,489	347,887	36,000	(237,828)	(410)	–	1,134	182,272	(15,004)	167,268
Loss for the year	**–**	**–**	**–**	**(50,508)**	**–**	**–**	**–**	**(50,508)**	**(1,138)**	**(51,646)**
Other comprehensive loss for the year										
– Exchange differences arising during the year	**–**	**–**	**–**	**–**	**–**	**–**	**(3,628)**	**(3,628)**	**–**	**(3,628)**
– Share of other comprehensive loss of a joint venture	**–**	**–**	**–**	**–**	**–**	**–**	**(150)**	**(150)**	**–**	**(150)**
– Net loss arising on revaluation of available-for-sale financial assets	**–**	**–**	**–**	**–**	**(705)**	**–**	**–**	**(705)**	**–**	**(705)**
– Reclassification adjustments relating to impairment of available-for-sale financial assets	**–**	**–**	**–**	**–**	**1,115**	**–**	**–**	**1,115**	**–**	**1,115**
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**(50,508)**	**410**	**–**	**(3,778)**	**(53,876)**	**(1,138)**	**(55,014)**
At 31 December 2015	**35,489**	**347,887**	**36,000**	**(288,336)**	**–**	**–**	**(2,644)**	**128,396**	**(16,142)**	**112,254**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Loss before taxation		**(51,534)**	(46,447)
Adjustments for:			
Interest income	7	**(294)**	(714)
Share of result of associates	19(a)	**655**	30
Share of result of a joint venture	19(b)	**1,182**	1,156
Gain on early redemption of convertible notes	8	**–**	(1,097)
Depreciation of property, plant and equipment	9	**1,704**	1,107
Loss on disposal of property, plant and equipment	9	**3**	2
Fair value change of derivative financial assets	33	**–**	13
Amortisation of intangible assets	17	**5**	–
Impairment loss on interest in associates and amount due from an associate	19(a)	**6,315**	–
Impairment loss of trade receivables	24	**–**	431
Impairment loss of intangible assets	17	**–**	973
Impairment loss of available-for-sale financial assets		**1,115**	–
Finance costs	10	**29,802**	6,838
Operating cash flow before working capital changes		**(11,047)**	(37,708)
Decrease in inventories		**43**	196
Decrease in trade receivables		**13**	1
Increase in loan receivables		**(17,729)**	(18,157)
Decrease/(increase) in prepayments, deposits and other receivables		**6,912**	(28,134)
(Decrease)/increase in trade payables		**(23)**	203
Increase in other payables and accruals		**5,877**	1,951
(Decrease)/increase in receipts in advance		**(107)**	51
Increase in amount due from an associate		**–**	(3,000)
Decrease in amount due to a director		**(124)**	(1,669)
Cash used in operations		**(16,185)**	(86,266)
Profits tax paid		**–**	–
Net cash outflow from operating activities		**(16,185)**	(86,266)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Cash flows from investing activities			
Interest received		**294**	714
Acquisition of available-for-sale financial assets		**–**	(1,170)
Investment in associates		**–**	(4,000)
Investment in a joint venture		**(2,617)**	(23,800)
Purchase of property, plant and equipment		**(9,812)**	(471)
Net cash outflow from acquisition of assets		**–**	(5,466)
Decrease/(increase) in prepayments		**3,792**	(3,792)
Change in pledged bank deposits		**(289)**	(710)
Proceeds from disposal of property, plant and equipment		**–**	3
Net cash outflow from investing activities		**(8,632)**	(38,692)
Cash flows from financing activities			
Interest paid		**(29,802)**	(6,796)
Proceeds from issue of shares		**–**	43,360
Proceeds from issue of bonds		**58,648**	101,106
Early redemption of convertible notes		**–**	(10,000)
Net cash inflow from financing activities		**28,846**	127,670
Net increase in cash and cash equivalents		**4,029**	2,712
Cash and cash equivalents at the beginning of the year		**6,555**	3,843
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(514)**	–
Cash and cash equivalents at the end of the year		**10,070**	6,555
Analysis of balances of cash and cash equivalents			
Cash and bank balances	27	**10,070**	6,555

Note:

Non cash transaction

During the year ended 31 December 2015, certain property, plant and equipment addition was settled by prepayment of approximately HK$3,970,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. During the year, the principal activities of the subsidiaries are provision of funeral services, sale of funeral related products and loan financing business.

In the opinion of the directors, the Company does not have any immediate holding company or ultimate holding company.

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

In the current year, the Group has applied, for the first time, the following new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are effective for the Group's financial year beginning 1 January 2014. A summary of the new HKFRSs are set out as below:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

In the opinion of directors, the application of the new HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

In addition, the Group has adopted the amendments to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("**GEM Listing Rule**") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the consolidated financial statements is on the presentation and disclosure of certain information in the consolidated financial statements.

The Group has not early applied 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[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

[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 2016
[4] Effective for annual periods beginning on or after a date to be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

HKFRS 9 "Financial Instruments"

HKFRS 9 was amended in 2013 to include the new requirements for general hedge accounting. A revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- Certain financial assets held within a business model whose objective is achieved both collecting contractual cash flows and selling financial assets should be measured at FVTOCI (unless designated at fair value through profit and loss ("FVTPL") to eliminate or significantly reduce a measurement mismatch). This applies to assets passing the contractual cash flow characteristics assessment (which is the same test used to determine whether financial assets are measured at amortised cost). Interest revenue, foreign exchange gains and losses and impairment gains and losses shall be recognised in profit or loss with all other gains or losses (i.e. the difference between those items and the total change in fair value) being recognised in other comprehensive income. Any cumulative gain or loss recorded in other comprehensive income would be reclassified to profit and loss on derecognition, or potentially earlier if the asset is reclassified because of a change in business model. Interest income and impairment gains and losses would be recognised and measured in the same manner as for assets measured at amortised cost such that the amounts in other comprehensive income represents the difference between the amortised cost value and fair value. This results in the same information in profit or loss as if the asset was measured at amortised cost, yet the consolidated statement of financial position would reflect the instrument's fair value.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company is in the process of making an assessment of the potential impact of the application of HKFRS 9 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

HKFRS 15 "Revenue from contracts with customers"

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 of the Company is in the process of making an assessment of the potential impact of the application of HKFRS 15 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company do not anticipate the application of the other new and revised HKFRSs will have material effect on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rule and by the disclosure requirements of the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Basis of preparation

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

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 realisable 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 out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company:

- has 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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.

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.

Interest in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

The results and assets and liabilities of associates 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Interest in associate *(Continued)*

Under equity method, an investment in an associate 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. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes and long-term interests that, in substance, form part of the Group's net investment in the associate), 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.

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 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. 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, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Investments in joint ventures

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

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Business combinations *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Business combinations *(Continued)*

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 party is considered to be related to the Group if:

(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 2015

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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members of an individual are those family members who may be expected to influence, or be inflecting by, that person in their dealings with 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%
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 2015

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 2015

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible notes (Continued)

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 and borrowings) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Income tax *(Continued)*

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 2015

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

Revenue recognition

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

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

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

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

Employee benefits

Pension schemes

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

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

Foreign currencies

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 2015

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

(c) Impairment of trade receivables and loan receivable

The aged debt profile of debtors is reviewed on a regular basis to ensure that the 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 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 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 17).

The carrying amount of intangible assets as at 31 December 2015 was approximately HK$86,673,000 (2014: HK$89,792,000).

(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

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**177,167**	165,225
Available-for-sale financial assets	**55**	760
	177,222	165,985
Financial liabilities		
Measured at amortised cost	**185,256**	120,878

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

(b) Financial risk management objectives and policies

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

Market risk

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

Market risk exposures are measured by sensitivity analysis.

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

Interest rate risk management

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

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

Foreign currency risk management

The Group 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 liaibilites. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

Credit risk

As at 31 December 2015 and 2014, 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 year ended 31 December 2014 and 2015.

No trade receivable from individual customer represents greater than 10% of the total trade receivables of the Groups for the year ended 31 December 2014 and 2015.

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 2015

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
2015					
Non-derivative financial liabilities					
Trade payables	**–**	**261**	**–**	**261**	**261**
Other payables and accruals	**–**	**12,241**	**–**	**12,241**	**12,241**
Borrowings	**20**	**104,864**	**103,108**	**207,972**	**172,754**
		117,366	**103,108**	**220,474**	**185,256**
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

Fair value of financial instruments

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 2015

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

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

Fair value of financial instruments *(Continued)*

Some of the Group's financial asset are measured at fair value at the end of each reporting period. The following table give 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 2015 HK$'000	31 December 2014 HK$'000		
Financial asset				
Available-for-sale financial assets	**55**	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

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 2015			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial asset				
Available-for-sale financial assets	**55**	**–**	**–**	**55**

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

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 2015

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 debt (which includes 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 2015, 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:

	2015 **HK$'000**	2014 HK$'000
Debts #	**172,754**	114,230
Shareholders' equity	**128,396**	182,272
Gearing ratio	**134.54%**	62.67%

Total debts comprise borrowings and amount due to a director as detailed in Note 29 and 32 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 profit or loss and other comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statement of financial position.

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

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

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

Segment liabilities comprise operating liabilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. SEGMENT INFORMATION *(Continued)*

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

- Provision of funeral services and sale 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:

	Provision of funeral services and sale of funeral related products		Loan financing business		Total	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Segment revenue:						
Sales to external customers	**78,712**	74,301	**4,443**	464	**83,155**	74,765
Segment results	**(3,077)**	(13,852)	**1,689**	(233)	**(1,388)**	(14,085)
Interest income					**4**	4
Unallocated gains					**813**	195
Change in fair value of derivative financial assets					**–**	(13)
Gain on redemption of convertible notes					**–**	1,097
Impairment loss on amount due from an associate					**(6,315)**	–
Impairment loss on available-for-sale financial assets					**(1,115)**	–
Corporate and other unallocated expenses					**(11,894)**	(25,621)
Finance costs					**(29,802)**	(6,838)
Share of result of associates					**(655)**	(30)
Share of result of a joint venture					**(1,182)**	(1,156)
Loss before taxation					**(51,534)**	(46,447)
Taxation					**(112)**	7
Loss for the year					**(51,646)**	(46,440)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. SEGMENT INFORMATION *(Continued)*

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

There were no inter-segment sales in the year (2014: 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, share of result of associates and joint venture costs and income tax expense. This is the measure reported to chief operating decision makes for the purposes of resource allocation and assessment of segment performance.

	Provision of funeral services and sale of funeral related products		Loan financing business		Total	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Assets and liabilities						
Segment assets	**129,918**	128,639	**41,915**	24,144	**171,833**	152,783
Corporate and other unallocated assets					**126,340**	136,021
Total assets					**298,173**	288,804
Segment liabilities	**3,499**	2,726	**147**	5,020	**3,646**	7,746
Corporate and other unallocated liabilities					**182,273**	113,790
Total liabilities					**185,919**	121,536

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

- All asset are allocated to operating segments other than available-for-sale financial assets, interest in a joint venture, interests in associates, partial deposit and other receivables and other corporate assets.

- All liabilities are allocated to operating segments other than partial payables, accruals, borrowings, tax liabilities and other corporate liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. SEGMENT INFORMATION *(Continued)*

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

	Provision of funeral services and sale of funeral related products		Loan financing business		Unallocated		Total	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Other segment information								
Depreciation of property, plant and equipment	**1,669**	1,090	**35**	17	**–**	–	**1,704**	1,107
Amortisation of intangible assets	**5**	–	**–**	–	**–**	–	**5**	–
Capital expenditure	**9,775**	324	**37**	5,422	**–**	–	**9,812**	5,746
Impairment loss of intangible assets	**–**	973	**–**	–	**–**	–	**–**	973
Provision for impairment loss of trade receivables	**–**	431	**–**	–	**–**	–	**–**	431
Provision for impairment loss of loan receivables	**–**	–	**1,436**	118	**–**	–	**1,436**	118

(b) Geographical information

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

	Provision of funeral services and sale of funeral related products		Loan financing business		Unallocated		Total	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Sales								
Hong Kong	**78,091**	74,056	**4,443**	464	**–**	–	**82,534**	74,520
The PRC	**621**	245	**–**	–	**–**	–	**621**	245
	78,712	74,301	**4,443**	464	**–**	–	**83,155**	74,765
Non-current assets								
Hong Kong	**8,835**	9,800	**12,417**	7,289	**60**	5,965	**21,312**	23,054
The PRC	**83,160**	85,051	**–**	–	**22,879**	21,594	**106,039**	106,645
	91,995	94,851	**12,417**	7,289	**22,939**	27,559	**127,351**	129,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. SEGMENT INFORMATION *(Continued)*

(c) Other information

Revenue from major products

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

	2015 HK$'000	2014 HK$'000
Provision of funeral services and sale of funeral related products	**78,712**	74,301
Loan interest income	**4,443**	464
	83,155	74,765

For the year ended 31 December 2015 and 2014, no other single customer contributed 10% or more to the Group's revenue.

7. TURNOVER AND OTHER REVENUE

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:

	2015 HK$'000	2014 HK$'000
Turnover:		
Provision of funeral services and sale of funeral related products	**78,712**	74,301
Loan interest income	**4,443**	464
	83,155	74,765

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. TURNOVER AND OTHER REVENUE *(Continued)*

	2015 HK$'000	2014 HK$'000
Other revenue:		
Bank interest income	294	714
Sundry income	818	474
	1,112	1,188

8. OTHER NET GAIN AND LOSS

	2015 HK$'000	2014 HK$'000
Gain on early redemption of convertible notes	–	1,097
Impairment loss of intangible assets (Note 17)	–	(973)
Waiver of other payable	157	–
	157	124

9. LOSS FOR THE YEAR

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

	2015 HK$'000	2014 HK$'000
Cost of inventories sold	462	531
Auditors' remuneration	650	650
Loss on disposal of property, plant and equipment	3	2
Impairment loss on trade receivables (Note 24)	–	431
Impairment loss on loan receivables (Note 22)	1,318	118
Impairment loss on associates and amount due from an associate	6,315	–
Impairment loss on available-for-sale financial assets	1,115	–
Amortisation of intangible assets (Note 17)	5	–
Depreciation on owned property, plant and equipment	1,704	1,107
Minimum lease payments under operating leases:		
Funeral Parlour	55,800	55,800
Land and buildings	517	502
	56,317	56,302
Employee benefits expense (excluding directors' remuneration (Note 11)):		
Wages, salaries and other allowances	9,041	9,476
Pension scheme contributions	437	404
	9,478	9,880

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

10. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interests on:		
Bank and other borrowings	**29,576**	6,472
Other interest expenses	**226**	324
Interests on convertible note (Note 33)	**–**	42
Total finance costs	**29,802**	6,838

11. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the GEM Listing Rules and Section 383(1) of the New Hong Kong Companies Ordinance (Cap. 622), is as follows:

	2015 HK$'000	2014 HK$'000
Fees	**1,540**	1,580
Other emoluments:		
Salaries, allowances and benefits in kind	**575**	560
Pension scheme contributions	**29**	27
	2,144	2,167

During the years ended 31 December 2015 and 2014, none of the directors were granted share options under the share option scheme operated by the Company.

(a) Independent non-executive directors

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

	2015 HK$'000	2014 HK$'000
Mr. Liu Qing Chen	**120**	120
Mr. Tan Xiao Yan	**60**	60
Mr. Zhang Chun Qiang	**60**	60
	240	240

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015				
Executive directors:				
Mr. Li Ge (Note)	**1,300**	**–**	**–**	**1,300**
Mr. Sun, Miguel	**–**	**347**	**17**	**364**
Mr. Cheng Wai Keung	**–**	**228**	**12**	**240**
	1,300	**575**	**29**	**1,904**
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

Note:

Mr. Li Ge is also the Chief Executive Officer of the Company during the years ended 31 December 2015 and 2014.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2015 (2014: 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 (2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2014: one) director, details of whose remuneration are set out in Note 11 above. Details of the remuneration of the remaining four (2014: four) non-director, highest paid employees for the year are as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	3,003	3,461
Pension scheme contributions	66	67
	3,069	3,528

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

	Number of employees	
	2015	2014
Nil to HK$1,000,000	4	4

During the year ended 31 December 2015, no share options were granted to non-director, highest paid employees in respect of their services to the Group (2014: 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 (2014: Nil).

13. TAXATION

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

No provision for PRC Enterprise Income Tax has been made for both years as the Group have no assessable profits arising in the PRC.

No provision for Hong Kong Profits Tax has been made during the year ended 31 December 2014 as the Group has no assessable profits in Hong Kong.

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 (2014: Nil).

	2015 HK$'000	2014 HK$'000
Current taxation – Hong Kong	112	–
Current taxation – PRC	–	–
Deferred taxation (Note 34)	–	(7)
Tax expense/(credit) for the year	112	(7)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. TAXATION *(Continued)*

The income tax expense for the year can be reconciliation to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015		2014	
	HK$'000	**%**	HK$'000	%
Loss before taxation	**(51,534)**		(46,447)	
National tax on loss before taxation, calculated at the rates applicable to tax jurisdictions concerned	**(8,359)**	**(16.2)**	(7,849)	(16.9)
Tax effect of share of result of associates	**(108)**	**(0.2)**	5	–
Tax effect of share of result of a joint venture	**(296)**	**(0.6)**	288	0.6
Tax effect of expenses not deductible for tax purpose	**202**	**0.4**	7,922	17.1
Tax effect of income not taxable for tax purpose	**(6)**	**–**	(7,454)	(16.0)
Tax loss not recognised	**8,772**	**17.0**	7,081	15.2
Utilisation of tax losses previously not recognised	**(93)**	**(0.2)**	–	–
Deferred taxation on convertible notes	**–**	**–**	7	–
Tax expenses for the year	**112**	**0.2**	–	–

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

	2015	2014
	HK$'000	HK$'000
Tax losses	**38,885**	38,784

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. DIVIDENDS

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 31 December 2015 (2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2015	2014
	HK$'000	HK$'000
Loss attributable to owners of the Company, used in the calculation of basic loss per share from operations	**(50,508)**	(41,782)

	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue during the year	**354,892**	327,470

During both years ended 31 December 2015 and 2014, there is no instrument with potential dilutive shares issued by the Group. Therefore, the basic and diluted losses per share for the respective years are the same.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	**Motor vehicles**	**Furniture and fixtures**	**Office and computer equipment**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:					
At 1 January 2014	3,421	220	172	1,189	5,002
Additions	–	220	3	248	471
Disposals	–	–	–	(5)	(5)
At 31 December 2014 and 1 January 2015	3,421	440	175	1,432	5,468
Additions	9,589	–	8	215	9,812
Disposals	–	–	–	(5)	(5)
At 31 December 2015	13,010	440	183	1,642	15,275
Accumulated depreciation and impairment:					
At 1 January 2014	1,158	75	61	432	1,726
Charge for the year	697	108	34	268	1,107
At 31 December 2014 and 1 January 2015	1,855	183	95	700	2,833
Charge for the year	1,191	114	35	364	1,704
Written-off on disposal	–	–	–	(2)	(2)
At 31 December 2015	3,046	297	130	1,062	4,535
Carrying amount:					
At 31 December 2015	**9,964**	**143**	**53**	**580**	**10,740**
At 31 December 2014	1,566	257	80	732	2,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

17. INTANGIBLE ASSETS

	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 2014	6,000	83,503	–	89,503
Acquisition of assets (Notes 38)	–	–	5,275	5,275
Exchange alignment	–	(1,323)	–	(1,323)
At 31 December 2014 and 1 January 2015	6,000	82,180	5,275	93,455
Exchange alignment	–	(3,114)	–	(3,114)
At 31 December 2015	6,000	79,066	5,275	90,341
Accumulated amortisation and impairment:				
At 1 January 2014	2,690	–	–	2,690
Impairment loss recognised	–	973	–	973
At 31 December 2014 and 1 January 2015	2,690	973	–	3,663
Amortisation provided during the year	–	5	–	5
At 31 December 2015	2,690	978	–	3,668
Carrying amount:				
At 31 December 2015	**3,310**	**78,088**	**5,275**	**86,673**
At 31 December 2014	3,310	81,207	5,275	89,792

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.

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 (2014: 5-year) period. The discount rate applied was approximately 18.07% (2014: 24.85%)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

17. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

(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. The Sub-Contracting Agreement amortised over its estimated unit of production.

Based on the estimation of the directors, no impairment loss (2014: approximately HK$973,000) in respect of the Sub-contracting Agreement was recognised during the year ended 31 December 2015, in which the recoverable amount was determined based on a value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a 27-year period (2014: 28-year period). The discount rate applied was approximately 19.23% (2014: 19.69%).

For the year ended 31 December 2014, 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$81,207,000 based on the calculation method mentioned above.

(iii) The Money Lender License represents the right granted to the Group for carrying on the business of a Money Lender 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 (2014: Nil) 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 5 year (2014: 5 years). The discount rate applied was approximately 12.79% (2014: 14.58%).

18. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Issued and paid-up/ registered share capital	Percentage of equity attributable to the Group	Percentage of voting power held	Principal activities and place of operation
EMAX Venture Limited	British Virgin Islands, limited liability company	US$1	100%	100%	Inactive, Hong Kong
General Asia Holdings Limited	British Virgin Islands, limited liability company	US$1	100%	100%	Investment holding, Hong Kong
Able Profit (Hong Kong) Limited	Hong Kong, limited liability company	HK$1	100%	100%	Provision of funeral services and sale of funeral related products, Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation and kind of legal entity	Issued and paid-up/ registered share capital	Percentage of equity attributable to the Group	Percentage of voting power held	Principal activities and place of operation
South China Memorial Park & Funeral Service Limited	Hong Kong, limited liability company	HK$10,000	60%	60%	Provision of funeral services and sale of funeral related products, Hong Kong
Most Fame (China) Limited	Hong Kong, limited liability company	HK$1	100%	100%	Inactive, Hong Kong
Profit Value Group Limited	British Virgin Island, limited liability company	US$1	100%	100%	Investment holding, Hong Kong
The Shrine of Nansha Limited	Hong Kong, limited liability company	HK$1	100%	100%	Investment holding, Hong Kong
Ming De Tang Trading (Shenzhen) Limited Company	the PRC, limited liability company	HK$1,000,000	100%	100%	Provision of funeral services and sale 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, limited liability company	RMB1,000,000	100%	100%	Inactive, the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. PARTICULARS OF SUBSIDIARIES *(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.

19. INTERESTS IN ASSOCIATES AND JOINT VENTURE

(a) Interests in associates

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

	2015 HK$'000	2014 HK$'000
Cost of investments in associates, unlisted	**4,000**	4,000
Share of post-acquisition loss and other comprehensive loss, net of dividends received	**(685)**	(30)
Impairment loss recognised	**(3,315)**	–
	–	3,970
Amount due from an associate	**3,000**	3,000
Impairment loss recognised	**(3,000)**	–
	–	3,000

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

For the year ended 31 December 2015, due to continuously suffered loss and failure to fulfill the business plan of associate, the directors of the Company reviewed the recoverability of the interests in associates and amount due from an associate.

The valuation of the goodwill was determined based on the present value of the expected future cash flow arising from the business of the associates. The recoverable amount of the associate is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of five years. Given the uncertainty of the business of associates, it is expected that the cash generating unit associate, will not generate any cash flows in the future, and considered that impairment loss on entire interests in associates of approximately HK$3,315,000 (2014: Nil) and impairment loss on amount due from associate of approximately HK$3,000,000 should be made to the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INTERESTS IN ASSOCIATES AND JOINT VENTURE *(Continued)*

(a) Interests in associates *(Continued)*

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/ registered share capital	Percentage of equity attributable to the Group	Percentage of voting power held	Principal activities and place of operation
Miracle Power Limited (Note)	British Virgin Islands, limited liability	US$50,000	25%	25%	Investment holding, Hong Kong

Note: Miracle Power Limited was acquired by the Group at 22 July 2014. Best Pedigree Cattery Limited is a 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.

	2015 HK$'000	2014 HK$'000
Current assets	1,613	1,778
Non-current assets	–	2,326
Current liabilities	(5,260)	(5,131)
Net liabilities	(3,647)	(1,027)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	221	210

	2015 HK$'000	2014 HK$'000
Turnover	5,659	2,401
Loss for the year	(2,620)	(119)
Other comprehensive loss for the year	–	–
Total comprehensive loss for the year	(2,620)	(119)
Dividend received from the associate during the year	–	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INTERESTS IN ASSOCIATES AND JOINT VENTURE *(Continued)*

(a) Interests in associates *(Continued)*

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

	2015 HK$'000	2014 HK$'000
Net liabilities of associates	**(3,647)**	(1,027)
Proportion of the Group's ownership interests in associates	**25%**	25%
Goodwill	**–**	4,227
Carrying amount of the Group's interests in associates	**–**	3,970

The Group has discontinued the recognition of its share of loss of associate, because share of losses of associated exceeded the Group's interest in the associate and the Group has no obligation to take up future losses.

(b) Interest in a joint venture

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

	2015 HK$'000	2014 HK$'000
Cost of investments in joint venture, unlisted	**26,417**	23,800
Share of post-acquisition loss and other comprehensive loss, net of dividends received	**(3,538)**	(2,206)
	22,879	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/ registered share 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's decisions of 福澤頤養 need to be approved by 75% of the board of directors of 福澤頤養. The directors of the Company consider the setting of memorandum and article is contractually agreed sharing of control over 福澤頤養, decisions about the relevant activities of 福澤頤養 require the unanimous consent of the other party and classified the investment in 福澤頤養 as a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. INTERESTS IN ASSOCIATES AND JOINT VENTURE *(Continued)*

(b) Investment in a joint venture

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

	2015 HK$'000	2014 HK$'000
Current assets	**3,309**	503
Non-current assets	**32,588**	35,408
Current liabilities	**(699)**	(2,690)
Net assets	**35,198**	33,221
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**20**	90

	2015 HK$'000	2014 HK$'000
Loss for the year	**(1,818)**	(1,778)
Other comprehensive loss for the year	**(230)**	(1,616)
Total comprehensive loss for the year	**(2,048)**	(3,394)

The comprehensive loss for the year include the following:

	2015 HK$'000	2014 HK$'000
Amortisation of prepayments	**1,049**	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:

	2015 HK$'000	2014 HK$'000
Net asset of joint venture	**35,198**	33,221
Proportion of the Group's ownership interest in joint venture	**65%**	65%
Carrying amount of the Group's interest in joint venture	**22,879**	21,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK$'000	2014 HK$'000
Equity securities at fair value:		
Listed outside Hong Kong (Note (a))	**55**	760

Note:

(a) As at 31 December 2015, the Group held 100,000 shares (2014: 1,500,000 shares, the number of shares was decreased due to a 1 for 15 split during the year of 2015) 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 NCN. 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.

(b) During the year, the fair value change in respect of the Group's available-for-sale financial assets recognised in other comprehensive income amounted to HK$705,000 (2014: HK$410,000), of which impairment loss of HK$1,115,000 (2014: Nil) was reclassified from other comprehensive income to the statement of profit or loss for the year.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

21. PREPAYMENTS

Prepayments represent the prepayments for construction in related to the infrastructure surrounding the cemetery as at 31 December 2014.

22. LOAN RECEIVABLES

	2015 HK$'000	2014 HK$'000
Loan receivables denominated in Hong Kong dollar	**37,614**	18,567
Less: Provision for impairment loss of loan receivable	**(1,436)**	(118)
	36,178	18,449
Carrying amount analysed for reporting purposes:		
Current assets	**29,174**	11,293
Non-current assets	**7,004**	7,156
	36,178	18,449

The Group has policy for allowance of doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment, including the current creditworthiness, collaterals and the past collection history of each client.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

22. LOAN RECEIVABLES *(Continued)*

Movement in the allowance for bad and doubtful debts is as follows:

	2015 HK'000	2014 HK'000
Balance at the beginning of the year	118	-
Charge for the year (Note 8)	1,318	118
Balance at the end of the year	1,436	118

At each of the reporting date, the Group's loans receivable were individually determined for any impairment. The Group encountered difficulties in collection of certain loans receivable and appropriate provision for impairment has been made against these loans receivable. The individually impaired receivables are recognised based on the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognized. Included in the above provision for impairment is a provision for individually impaired short term loans receivable of HK$1,436,000 (2014: HK$118,000) with a gross carrying amount of HK$1,436,000 (2014: HK$118,000). The individually impaired short term loans receivable relate to customers that were in default or delinquency in repayments.

In determining the recoverability of the loans receivable, the Group considers any change in the credit quality of the loans receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further impairment required in excess of the provision for impairment made.

The loans receivable with a carrying amount of HK$36,178,000 (2014: HK$18,449,000) which are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable. These loans receivable that were neither individually nor collectively considered to be impaired relate to a number if borrowers for whom there was no recent history default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

23. INVENTORIES

	2015 HK$'000	2014 HK$'000
Finished goods	**128**	171

As at 31 December 2015, no inventories of the Group were carried at net realisable value (2014: Nil).

24. TRADE RECEIVABLES

The average credit period on sales of goods is 30 days (2014: 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.

	2015 HK$'000	2014 HK$'000
Trade receivables	**909**	922
Less: Provision for impairment loss of trade receivables	**(677)**	(677)
	232	245

As at 31 December 2015, the Group's trade receivables of approximately HK$677,000 (2014: HK$677,000) 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.

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:

	2015 HK$'000	2014 HK$'000
Over 180 days	**232**	245
	232	245

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately HK$232,000 (2014: HK$245,000) 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:

	2015 HK$'000	2014 HK$'000
Over 180 days	**232**	245
	232	245

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

24. TRADE RECEIVABLES *(Continued)*

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

	2015 HK$'000	2014 HK$'000
Balance at the beginning of the year	677	246
Provision for impairment loss of trade receivables (Note 9)	–	431
Balance at the end of the year	677	677

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepayments	531	865
Other deposits and receivables (Note (a))	47,000	46,818
Consideration receivable on disposal of subsidiaries (Note (b))	54,448	61,208
	101,979	108,891

Note:

(a) Other receivables of the Group mainly represents refundable deposit of amount to HK$38,000,000 (2014: HK$38,000,000) for proposed acquisition of Solaron Limited and its subsidiaries, named as Kowloon Funeral Parlour Company Limited.

(b) The term of repayment was restated during the year ended 31 December 2015. The directors of the Company considered the amount was recoverable.

26. PLEDGED BANK DEPOSITS

As at 31 December 2015, The Group's bank deposits of approximately HK$29,239,000 (2014: HK$28,950,000) denominated in HKD were pledged as security for the Group's credit facilities granted by a bank. The bank deposits will be released on clearance of the facility.

27. CASH AND BANK BALANCES

	2015 HK$'000	2014 HK$'000
Cash and bank balances	10,070	6,555

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$1,690,000 (2014: HK$ 1,454,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The bank deposits subject to conditions carry average floating interest rate at prevailing market rate per annum. The effective interest rates on the Group's bank deposits subject to conditions are also equal to contracted interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

28. TRADE PAYABLES

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

	2015 **HK$'000**	2014 HK$'000
0 – 30 days	**141**	68
31 – 60 days	**–**	85
Over 60 days	**120**	131
	261	284

29. BORROWINGS

	2015 **HK$'000**	2014 HK$'000
Secured (note (iii))	**–**	30,000
Unsecured (note (iv))	**172,754**	84,106
	172,754	114,106
Carrying amount repayable:		
Within one year	**83,031**	51,657
More than one year, but not exceeding two years	**50,740**	16,963
More than two years, but not exceeding five years	**9,107**	17,871
More than five years	**29,876**	27,615
	172,754	114,106
Less: Amount shown under current liabilities	**(83,031)**	(51,657)
	89,723	62,449

Notes:

(i) The amount of borrowings represent the loans from several independent third parties.

(ii) The amount was recognised after net of borrowing cost, commission of approximately HK$11,342,000 (2014: HK$9,860,000) and prepaid interest of approximately HK$2,400,000 (2014: HK$20,200,000).

(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 2015, the Group's unsecured borrowings carried effective interest rate of 3.13% to 41.69%per annum (2014: 3.17% to 31.91% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Other payables	**3,760**	2,780
Accruals	**8,481**	3,584
	12,241	6,364

31. RECEIPTS IN ADVANCE

	2015 HK$'000	2014 HK$'000
Receipts in advance	**551**	658

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

32. AMOUNT DUE TO A DIRECTOR

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

33. CONVERTIBLE NOTES

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 2015 and 2014.

	HK$'000
Derivative financial assets:	
At 1 January 2014	243
Change in fair value of derivative financial assets	(13)
Early redemption of convertible notes	(230)
At 31 December 2014, 1 January 2015 and 31 December 2015	–
Financial liability component:	
At 1 January 2014	4,132
Imputed interest	42
Early redemption of convertible notes	(4,174)
At 31 December 2014, 1 January 2015 and 31 December 2015	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

33. CONVERTIBLE NOTES *(Continued)*

During the year ended 31 December 2014, the convertible notes with principal amount of HK$10,000,000 was early redeemed. The excess of the fair value of the consideration to settle the convertible note over the carrying value of the liability portion of the redeemed portion of the convertible bond of approximately HK$1,097,000 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 2014.

34. DEFERRED TAX LIABILITIES

	Convertible notes
	HK$'000
At 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 2014,1 January 2015 and 31 December 2015	–

35. SHARE CAPITAL

Ordinary shares

	Par value	**Number of shares**	**Share capital**
	HK$	'000	HK$'000
Authorised:			
Ordinary shares at 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	0.1	5,000,000	500,000
Issued and fully paid:			
At 1 January 2014	0.1	227,412	22,741
Issue of shares by placing (Note (i))	0.1	45,480	4,548
Issue of shares by placing (Note (ii))	0.1	82,000	8,200
At 31 December 2014, 1 January 2015 and 31 December 2015	0.1	354,892	35,489

Notes:

(i) On 7 March 2014, CNI Securities Group Limited (the "Placing Agent") and the Company entered into the placing agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, of 227,400,000 placing shares to not fewer than six placees at a placing price of HK$0.078 who and whose ultimate beneficial owners will not be connected persons of the Company and its connected persons.

(ii) On 9 June 2014, CNI Securities Group Limited (the "Placing Agent") and the Company entered into the placing agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, of 410,000,000 placing shares to not fewer than six placees at a placing price of HK$0.067 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 36 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

36. 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 2015, there was no (2014: 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 2015

37. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 31 of the consolidated financial statements.

(i) Contributed surplus

The Group's contributed surplus as at 31 December 2015 and 2014 represents the amount of HK$36,000,000 transfer from share capital due to a capital reduction in the year ended 31 December 2001.

(ii) Available-for-sale financial assets revaluation reserve

Available-for-sale financial assets revaluation reserve represents cumulative gains and losses on revaluation of available-for-sale financial assets recognised in other comprehensive income less those cumulative gains and losses recycled and recognised in profit or loss upon derecognition of available-for-sale financial assets.

(iii) Convertible notes reserves

Under HKAS 32 Financial Instruments: Presentation, convertible loan notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using a market interest rate for similar non-convertible debts and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost.

The equity component is recognised in the convertible loan notes reserve until the convertible loan notes are either converted (in which case it is transferred to share premium) or the convertible loan notes are redeemed (in which case it is released directly to accumulated losses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

38. 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 loan receivable, the purpose of the Acquisition is for the Group to collaborate on the development of money lending business in the future and as such, the Acquisition has been accounted for as acquisition of the money lenders license rather than business.

	HK$'000
Net assets acquired:	
Cash and bank balances	534
Prepayment, deposit and other receivable	33
Loan receivables	292
Other payable	(134)
Intangible assets arising on acquisition (Note 17)	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)

39. CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2015 (2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

40. OPERATING LEASE ARRANGEMENTS

As lessee

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

As at 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 **HK$'000**	2014 HK$'000
Land and buildings		
Within one year	**56,113**	56,218
In the second to fifth years, inclusive	**14,038**	69,855
	70,151	126,073

41. MATERIAL RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel of the Group:

	2015 **HK$'000**	2014 HK$'000
Short term employee benefits	**2,063**	2,459
Pension scheme contribution	**85**	82
Total compensation paid to key management personnel	**2,148**	2,541

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

42. CAPITAL COMMITMENT

	2015 **HK$'000**	2014 HK$'000
Commitment for the acquisition of property, plant and equipment	**–**	2,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2015 HK$'000	2014 HK$'000
Non-current asset		
Property, plant and equipment	5	12
Investment in subsidiaries	–	–
Available-for-sale financial assets	55	760
	60	772
Current assets		
Amounts due from subsidiaries	170,242	85,519
Amount due from an associate	–	3,000
Prepayments, deposits and other receivables	6,093	5,784
Cash and bank balances	4,668	3,812
	181,003	98,115
Current liabilities		
Borrowings	83,031	46,821
Other payables and accruals	9,487	4,519
Amount due to a subsidiary	61,747	4,962
	154,265	56,302
Net current assets	26,738	41,813
Total assets less current liabilities	26,798	42,585
Non-current liabilities		
Borrowings	89,723	62,449
Net liabilities	(62,925)	(19,864)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2015 HK$'000	2014 HK$'000
Capital and reserves		
Share capital	**35,489**	35,489
Reserves	**(98,414)**	(55,353)
Total equity	**(62,925)**	(19,864)

Approved by the Board of Directors on 23 March 2016 and signed on its behalf by:

Mr. Li Ge
Director

Mr. Sun, Miguel
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

44. RESERVES OF THE COMPANY

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

	Note	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Available for sell securities revaluation reserve HK$'000	Convertible notes reserve HK$'000	Total HK$'000
At 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							
Net loss arising on revaluation of available-for-sale financial assets		–	–	–	(410)	–	(410)
Total comprehensive loss for the year		–	–	(69,435)	(410)	–	(69,845)
Issue of shares by placing	35	32,459	–	–	–	–	32,459
Transaction cost attributable to issue of share		(1,847)	–	–	–	–	(1,847)
Early redemption of convertible bonds	33	–	–	606	–	(6,798)	(6,192)
At 31 December 2014 and 1 January 2015		347,887	36,000	(438,830)	(410)	–	(55,353)
Loss for the year		–	–	(43,471)	–	–	(43,471)
Other comprehensive income/(loss) for the year							
Net loss arising on revaluation of available-for-sale financial assets		–	–	–	(705)	–	(705)
Reclassification adjustments relating to impairment of available-for-sale financial assets		–	–	–	1,115	–	1,115
Total comprehensive loss for the year		–	–	(43,471)	–	–	(43,471)
Issue of shares by placing		–	–	–	–	–	–
Early redemption of convertible bonds		–	–	–	–	–	–
At 31 December 2015		**347,887**	**36,000**	**(482,301)**	**–**	**–**	**(98,414)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

45. MATERIAL EVENT AFTER THE REPORTING PERIOD

Pursuant to the announcements of the Company dated on 29 January 2016, the Company entered into a termination agreement to terminate the sale and purchase agreement dated on 2 December 2014 and arranged to receive refund of the deposit paid of HK$38,000,000. Subsequent to the termination agreement, the Company entered into an operating agreement to lease and procure lease the properties, the funeral parlour and its related assets and operations for a fixed period of five years at a consideration of HK$195,000,000.

Pursuant to the announcement of the Company dated on 11 March 2016, the Group announcement a proposed open offer on the basis of ten offer shares for every existing share held on the record date and issue of bonus shares on the basis of one bonus share for every five offer shares taken up under open offer.

Other than above and elsewhere disclosed in the notes to the consolidated financial statements, there has not been significant events took place for the Group subsequent to 31 December 2015.

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 23 March 2016.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2015

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				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Continuing operations					
Turnover	**83,155**	74,765	67,070	39,165	177,083
Cost of sales	**(64,016)**	(69,237)	(69,303)	(42,633)	(156,923)
Gross profit/(loss)	**19,139**	5,528	(2,233)	(3,468)	20,160
Other revenue	**1,112**	1,188	166	260	310
Other net gain and loss	**157**	124	(199)	6,987	(32,509)
Gain on disposal of subsidiaries	**–**	–	64	–	–
Selling and distribution costs	**(6,452)**	(5,798)	(5,470)	(4,233)	(20,942)
Administrative expenses	**(33,851)**	(39,452)	(32,740)	(19,824)	(28,442)
Change in fair value of derivative financial assets	**–**	(13)	(6,441)	–	–
Loss from operations	**(19,895)**	(38,423)	(46,853)	(20,278)	(61,423)
Finance costs	**(29,802)**	(6,838)	(16,452)	(8,000)	(4)
Share of result of associates	**(655)**	(30)	–	–	–
Share of result of a joint venture	**(1,182)**	(1,156)	–	–	–
Loss before taxation	**(51,534)**	(46,447)	(63,305)	(28,278)	(61,427)
Taxation	**(112)**	7	179	–	6,657
Loss for the year from continuing operations	**(51,646)**	(46,440)	(63,126)	(28,278)	(54,770)
Discontinued operations					
Profit/(loss) for the year from continuing operations	**–**	–	29,356	(67,955)	2,250
Loss for the year	**(51,646)**	(46,440)	(33,770)	(96,233)	(52,520)
Attributable to:					
Owners of the Company	**(50,508)**	(41,782)	(28,764)	(80,210)	(52,520)
Non-controlling interests	**(1,138)**	(4,658)	(5,006)	(16,023)	–
	(51,646)	(46,440)	(33,770)	(96,233)	(52,520)

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**298,173**	288,804	204,183	377,727	378,337
Total liabilities	**(185,919)**	(121,536)	(24,860)	(162,792)	(113,943)