



ANNUAL REPORT  
2016

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

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

\* For identification purpose only

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Li Ge (*Chairman and Chief executive officer*)  
 Mr. Sun, Miguel  
 Mr. Cheng Wai Keung (*Resigned with effect from 5 August 2016 and was re-appointed on 18 November 2016*)  
 Mr. Ip Ka Ki (*Appointed on 5 August 2016 and resigned with effect from 18 November 2016*)  
 Ms. To Hoi Man (*Appointed on 5 August 2016 and resigned with effect from 23 November 2016*)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tam Yiu Cheung (*Appointed as Chairman on 22 August 2016*)  
 Mr. Liu Qing Chen (*Resigned as Chairman on 22 August 2016*)  
 Ms. Tan Xiao Yan  
 Mr. Zhang Chun Qiang (*Resigned on 22 August 2016*)

### 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. Tam Yiu Cheung (*Appointed as Chairman on 22 August 2016*)  
 Mr. Liu Qing Chen (*Resigned as Chairman on 22 August 2016*)  
 Ms. Tan Xiao Yan  
 Mr. Zhang Chun Qiang (*Resigned on 22 August 2016*)

### REMUNERATION COMMITTEE

Mr. Tam Yiu Cheung (*Appointed as Chairman on 22 August 2016*)  
 Mr. Liu Qing Chen (*Resigned as Chairman on 22 August 2016*)  
 Ms. Tan Xiao Yan  
 Mr. Zhang Chun Qiang (*Resigned on 22 August 2016*)

### NOMINATION COMMITTEE

Mr. Tam Yiu Cheung (*Appointed as Chairman on 22 August 2016*)  
 Mr. Liu Qing Chen (*Resigned as Chairman on 22 August 2016*)  
 Ms. Tan Xiao Yan  
 Mr. Zhang Chun Qiang (*Resigned on 22 August 2016*)

### COMPLIANCE OFFICER

Mr. Li Ge

### AUTHORISED REPRESENTATIVES

Mr. Li Ge  
 Mr. Hung Kai Ming

### COMPANY SECRETARY

Mr. Hung Kai Ming, *CPA, FCCA*

### BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited  
 Clarendon 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

## 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 2016.

### BUSINESS AND FINANCIAL REVIEW

The principal businesses of the Group for 2016 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\$82,220,000, while the audited net loss was approximately HK\$12,098,000.

For the funeral business in Mainland China, during the year ended 31 December 2016, the Group recorded no revenue from the Huidong cemetery, while the audited net loss was approximately HK\$2,793,000.

The Group's total revenue for the year ended 31 December 2016 from the provision of funeral services and sale of funeral related products in Hong Kong and Mainland China amounted to approximately HK\$82,220,000, representing an increase of 4.46% as compared to the same period of last year of approximately HK\$78,712,000, while the audited net loss amounted to approximately HK\$14,891,000, representing an increase of HK\$11,588,000 in audited net loss as compared to the same period of last year of approximately HK\$3,303,000.

For the loan financing business, for the year ended 31 December 2016, the audited revenue of the loan financing business of the Group amounted to approximately HK\$5,548,000, while the audited profit amounted to approximately HK\$2,887,000.

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 unwavering 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, 30 March 2017

## 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 2016.

### BUSINESS AND FINANCIAL REVIEW

The Group’s principal businesses for the year ended 31 December 2016 are the funeral business, loan financing business and elderly home business.

The Group’s total operating revenue for the 12 months ended 31 December 2016 amounted to approximately HK\$87,768,000, representing an increase of 5.55% as compared to the same period last year.

### FUNERAL BUSINESS

For the 12 months ended 31 December 2016, the Group recorded total revenue of approximately HK\$82,220,000 from the provision of funeral services and sale of funeral-related products and an audited gross profit of approximately HK\$16,187,000. Due to the high costs for sustaining the operation of the funeral business (in particular the quarterly rental payment of HK\$13,950,000 payable to the Food and Environmental Hygiene Department by Grand Peace Funeral Parlour), the total revenue of the funeral business still did not balance the cost.

For the 12 months ended 31 December 2016, the Group recorded total revenue of approximately HK\$76,841,000 from the provision of funeral-related services and sale of funeral related products in Grand Peace Funeral Parlour in Hung Hom, Hong Kong, representing a decrease of 1.6% as compared to the same period last year of approximately HK\$78,091,000. The gross profit amounted to approximately HK\$11,588,000 and the net loss was approximately HK\$11,403,000, representing an increase of HK\$8,481,000 in net loss as compared to the same period last year of approximately HK\$2,922,000. It was mostly due to lower turnover, higher operating costs and impairment loss of intangible assets. 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. In accordance with the agreement entered by the South China

Memorial Park & Funeral Service Limited (a subsidiary of the Group, which has 60% of its equity interest) and the Hong Kong Special Administrative Region Government at the beginning of 2012, the Grand Peace Funeral Parlour was authorised for the provision of funeral services and the operation, management and maintenance rights of the public funeral parlour at Cheong Hang Road, Hung Hom (“**Right**”), which will expire on 31 March 2017. As published on the website of the Food and Environmental Hygiene Department of Hong Kong, after the expiry of the Right, on-site maintenance works will be carried out in Grand Peace Funeral Parlour and are expected to be completed in about a year. The Company will consider actively participating in next tender of Grand Peace Parlour when it is open for tender again.

In order to sustain and expand the Company’s existing principal business in the Funeral Parlour, on 29 January 2016, Merit Vision Holdings Limited (“**Merit**”, a wholly-owned subsidiary of the Group) entered into an operating agreement in respect of KFP with Solaron Limited and Mr. Kong Lung Cheung, 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**”). The occupancy fee for the Term is HK \$195,000,000. Merit commenced the Lease on late 2016.

Since the commencement of the Lease until 31 December 2016, the Group recorded total revenue of approximately HK\$5,379,000 from the provision of funeral-related services and sale of funeral related products in KFP, gross profit of approximately HK\$4,599,000 and net loss of approximately HK\$695,000. As KFP has just commenced its operation, the Group will continue to enhance promotion and advertising investment as well as personnel training to raise the utilisation of KFP, 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) has substantially completed and commenced trial operation. For the year ended 31 December 2016, the Group recorded no revenue from the Huidong cemetery. The net loss was approximately HK\$2,793,000, representing an increase of approximately HK\$2,412,000 as compared to the audited net loss for the same period last year of approximately HK\$381,000. Due to the fact that the construction of the Huidong cemetery has not been fully completed 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 year ended 31 December 2016, the total interest income of the Group from providing loan financing services was approximately HK\$5,548,000, representing an increase of 24.87% as compared to the same period last year of approximately HK\$4,443,000. The audited net profit was approximately HK\$2,887,000, representing an increase of 157.54% as compared to the net profit for the same period last year of approximately HK\$1,121,000. This was mainly due to the Group's increasing investment in resource development.

### 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. 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

The Group will remain focusing on its funeral business in Grand Peace Funeral Parlour, KFP and Huidong of China.

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 elderly living in the elderly home. It is expected that the Company could expand the scope of its elderly care and funeral services provided that the above plan is materialised.

On 30 September 2016, Earn Fine Limited, a direct wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Ms. Wu Xi Qiong ("**Ms. Wu**"), to acquire 45% of the issued shares of Yat Ho Group Limited ("**Yat Ho**") at the consideration of HK\$25,000,000. The principal activity of Yat Ho consists of provision of catering services. The Company has been exploring investment opportunities from time to time, developing new business opportunities besides funeral business, so as to generate satisfactory return to the Shareholders. On 24 March 2017, as the Company no longer intended to participate in the further development of Yat Ho, the Company fully sold 45% of the issued shares of Yat Ho held by the Company to Ms. Wu at a consideration of HK\$25,000,000.

On 2 March 2017, The Shrine of Nansha Limited (an indirect wholly-owned subsidiary of the Company) entered into an agreement with three independent third parties, to acquire 75% of the issued shares of Athena Papercrafts Limited ("**Athena**") at a consideration of HK\$3,900,000. Athena is principally engaged in local paper artifacts business. The Group hopes to develop this new business, while stable supply and reduce costs, so as to achieve the scope of economic effects.

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 Solaron Limited (the “**Target Company**”), representing 100% of the entire issued share capital of the Target Company (the “**KFP Acquisition**”). 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 Kowloon Funeral Parlour Company Limited (“**KFP**”). Upon Completion, the Target Company and KFP will become subsidiaries of the Company.

The Consideration is 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 is 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 intended to settle the Cash Settled Amount and repay the Promissory Note by internal resources of the Group and/or debt and/or equity financing.

On 29 January 2016, the very substantial acquisition was terminated by the execution of a 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.

## OPEN OFFER AND ISSUE OF BONUS SHARES

On 11 March 2016, the Company and GEO Securities Limited entered into an underwriting agreement in relation to the underwriting arrangements in respect of the proposed open offer and issue of bonus shares (the “**Open Offer**”).

Up to HK\$425,870,544, before expenses, has been raised in the Open Offer, by issuing 3,548,921,200 Offer Shares at a price of HK\$0.12 per Offer Share on the basis of ten Offer Shares for every existing Share held by the Qualifying Shareholders on the Record Date. The Open Offer was only available to the Qualifying Shareholders.

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares were issued to the registered holders of the Offer Shares on the basis of one Bonus Share for every five Offer Shares taken up by the Qualifying Shareholders under the Open Offer. On the basis of 3,548,921,200 Offer Shares to be issued under the Open Offer, 709,784,240 Bonus Shares were issued.

After deducting the estimated expenses relating to the Open Offer, the net proceeds from the Open Offer amount to approximately HK\$409,000,000. The Company intends to use the net proceeds from the Open Offer of approximately HK\$409,000,000: (i) as to approximately HK\$157,000,000 for settlement the outstanding amount of the occupation fees under the Lease; (ii) as to approximately HK\$84,000,000 for the repayment of the liabilities of the Group, including (a) the principal amount and the associated interest payments of the



## MANAGEMENT DISCUSSION AND ANALYSIS

bonds of the Company of approximately HK\$82,000,000 due in 2016 so as to reduce the gearing ratio of the Company and the related financing costs; and (b) other payables and accrued expenses of the Group of approximately HK\$2,000,000; (iii) as to approximately HK\$56,000,000 as the lease payment for the remaining lease period of the Grand Peace Funeral Parlour of approximately one year; (iv) as to approximately HK\$40,000,000 for the potential investment of the Company in the field of funeral services or related business; (v) as to approximately HK\$36,000,000 as the principal amount for the money financing business of the Company; and/or (vi) the remaining balance for the general working capital of the Group including but not limited to the overhead expenses of the Group. As at the date of this report, the net proceeds from the Open Offer were used as intended.

The Open Offer was approved at the special general meeting of the Company held on 13 June 2016.

Dealings in the fully-paid offer shares and the bonus shares commenced on the Stock Exchange at 9:00 a.m. on 11 August 2016.

For details, please refer to the announcements of the Company dated 11 March 2016, 8 April 2016, 4 May 2016, 13 May 2016, 18 May 2016, 8 June 2016, 30 June 2016, 4 July 2016, 5 July 2016, 13 July 2016, 1 August 2016 and 9 August 2016 respectively, the Circular of the Company dated 18 May 2016 and the Prospectus of the Company date 19 July 2016.

### RESIGNATION OF AN EXECUTIVE DIRECTOR AND APPOINTMENT OF EXECUTIVE DIRECTORS

Mr. Cheng Wai Keung resigned as an Executive Director in pursuit of his personal business and development with effect from 5 August 2016 and was re-appointed as an Executive Director on 18 November 2016.

Mr. Ip Ka Ki has been appointed as Executive Director on 5 August 2016 and resigned as an Executive Director in pursuit of his personal business and development with effect from 18 November 2016.

Ms. To Hoi Man has been appointed as an Executive Director on 5 August 2016 and resigned as an Executive Director in pursuit of her personal business and development with effect from 23 November 2016.

For details, please refer to the announcement of the Company dated 5 August 2016, 18 November 2016 and 23 November 2016 respectively.

### APPOINTMENT AND RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHANGE OF CHAIRMAN AND MEMBERSHIP OF AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Mr. Tam Yiu Cheung has been appointed as an Independent Non-Executive Director, a member and the chairman of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 22 August 2016.

Mr. Liu Qing Chen resigned as the chairman of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 22 August 2016.

Mr. Zhang Chun Qiang resigned as an Independent Non-Executive Director, a member of each of Audit Committee, Remuneration Committee and Nomination Committee in pursuit of his personal business and development with effect from 22 August 2016.

For details, please refer to the announcement of the Company dated 22 August 2016.

### SHARE CONSOLIDATION

Immediately after completion of the Open Offer and the issue of the Bonus Shares and conditional upon the trading price of the Shares being close to HK\$0.1 upon completion of the Open Offer and the issue of the Bonus Shares, the Company implemented Share Consolidation on the basis that every ten (10) Shares of HK\$0.1 each in the issued and unissued share capital of the Company were consolidated into one (1) Consolidated Share of HK\$1.

The Share Consolidation was approved at the special general meeting of the Company held on 13 June 2016, and the effective date of the share consolidation was 11 August 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

For details, please refer to the announcements of the Company dated 11 March 2016, 8 April 2016, 4 May 2016, 13 May 2016, 18 May 2016, 8 June 2016, 30 June 2016, 4 July 2016, 5 July 2016, 13 July 2016, 1 August 2016 and 9 August 2016 respectively, the Circular of the Company dated 18 May 2016 and the Prospectus of the Company dated 19 July 2016.

### CHANGE OF BOARD LOT SIZE

The Company has changed the board lot size for trading in the Shares on the Stock Exchange from 8,000 Shares (or 800 Consolidated Shares upon the Share Consolidation becoming effective) to 2,000 Consolidated Shares after and conditional upon the Share Consolidation becoming effective.

The effective date of the change of board lot size was 25 August 2016.

For details, please refer to the announcements of the Company dated 11 March 2016, 8 April 2016, 4 May 2016, 13 May 2016, 18 May 2016, 8 June 2016, 30 June 2016, 4 July 2016, 5 July 2016, 13 July 2016, 1 August 2016 and 9 August 2016 respectively, the Circular of the Company dated 18 May 2016 and the Prospectus of the Company date 19 July 2016.

### ACQUISITION OF 45% OF THE EQUITY INTEREST OF YAT HO GROUP LIMITED (“TARGET COMPANY”)

On 30 September 2016, Earn Fine Limited (the “**Purchaser**”), a direct wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Ms. Wu XiQiong (the “**Vendor**”) and Yat Ho Group Limited, a company which provides catering services (the “**Target Company**”), pursuant to which the Vendor shall sell as beneficial owner all of the sale shares and the Purchaser shall purchase, the sale shares at the consideration of HK\$25,000,000.

The sale shares, consisted of 4,500 shares of the Target Company, represents 45% of the equity interest of the Target Company.

On 30 September 2016, Completion has already taken place.

For details, please refer to the announcement of the Company dated 30 September 2016.

### ACQUISITION OF 75% OF THE EQUITY INTEREST OF ATHENA PAPERCRRAFTS LIMITED (“TARGET COMPANY”)

On 2 March 2017, The Shrine of Nansha Limited (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with three independent third parties (the “**Vendor**”), pursuant to which the Vendor shall sell as beneficial owner all of the Sale Shares and the Purchaser shall purchase the Sale Shares at the Consideration of HK\$3,900,000.

The Sale Shares, consisting of 75,000 shares of the Target Company, represents 75% equity interest in the Target Company.

On 2 March 2017, Completion has already taken place.

### DISPOSAL OF 45% EQUITY INTEREST IN YAT HO GROUP LIMITED (“TARGET COMPANY”)

On 24 March 2017, Earn Fine Limited (the “**Vendor**”), a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Ms. Wu XiQiong (the “**Purchaser**”) and Yat Ho Group Limited, a company which provides catering services (the “**Target Company**”), pursuant to which the Vendor shall sell as beneficial owner all of the Sale Shares and the Purchaser shall purchase the Sale Shares at the Consideration of HK\$25,000,000.

The Sale Shares, consisting of 4,500 shares of the Target Company, represents 45% equity interest in the Target Company.

Completion shall take place on or before 31 March 2017 or such other date as the Parties may agree.

For details, please refer to the announcement of the Company dated 24 March 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROPOSED SHARE SUB-DIVISION

On 27 March 2017, the Board proposes to sub-divide each existing issued and unissued Share of HK\$1 each of the Company into two (2) Sub-divided Shares of HK\$0.5 each.

The Share Sub-division is conditional upon:

- (a) the passing of an ordinary resolution to approve the Share Sub-division by the Shareholders at the SGM; and
- (b) the GEM Listing Committee granting approval to the listing of, and permission to deal in, the Sub-divided Shares, and any Sub-divided Shares which may be issued pursuant to the exercise of the Share Options to be granted under the Share Option Scheme.

The notice convening the SGM to be held at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong on Thursday, 13 April 2017 at 11:00 a.m.

For details, please refer to the circulars of the Company dated 27 March 2017.

### MATERIAL EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 42 to the consolidated financial statements.

### FINANCIAL REVIEW

The Group generated approximately HK\$87,768,000 in total revenue in 2016, representing an increase of 5.55% as compared with year 2015.

The breakdown of the turnover is set out below:

|                                                                     | 2016         |       | 2015         |       | Change |
|---------------------------------------------------------------------|--------------|-------|--------------|-------|--------|
|                                                                     | HK\$ million | %     | HK\$ million | %     |        |
| Provision of funeral services and sales of funeral related products | 82.2         | 93.6% | 78.7         | 94.6% | 4.4%   |
| Loan interest income                                                | 5.6          | 6.4%  | 4.5          | 5.4%  | 24.44% |
| Total                                                               | 87.8         | 100%  | 83.2         | 100%  |        |

### SIGNIFICANT INVESTMENT

The Group had no significant investment held in the year ended 31 December 2016.

### 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 2016.

As at 31 December 2016, cash and bank balances of the Group was approximately HK\$55,089,000 (2015: HK\$10,070,000), approximately 0.05% of the Group's cash was denominated in Renminbi and 91.64% 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 2016, the total borrowings of the Group amounted to approximately HK\$168,529,000 (2015: approximately HK\$172,754,000), representing unsecured bonds of HK\$168,529,000 at the effective interest rate ranged from 7.05% per annum to 27.06% per annum.

### CAPITAL STRUCTURE

The total number of issued shares of the Company was 461,359,756 as at 31 December 2016.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2016, the Group had 103 employees in Hong Kong and 2 employees in PRC (as at 31 December 2015: 56 employees in Hong Kong and 4 employees in PRC), who were remunerated in accordance with their performance and market condition. Other benefits available to eligible employees include retirement benefits and medical insurance schemes. Total staff costs for the year 2016 amounted to approximately HK\$12,013,000 (2015: approximately HK\$11,156,000).

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 2016 (2015: Save as the pledged bank deposits, the Group did not have any other charge on its assets).

## GEARING RATIO

As at 31 December 2016, the Group's gearing ratio was approximately 35.26% representing a percentage of the total borrowings over shareholders' equity (2015: 134.54%), and the net current assets was approximately HK\$169,343,000 (2015: approximately HK\$74,626,000).

## 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 2016 (2015: nil).

## BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

### EXECUTIVE DIRECTORS

**Mr. Li Ge (“Mr. Li”)**, aged 48, 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 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 PRC. 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 directorship 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, Able Wealthy (China) Limited, Merit Vision Holdings Limited and Earn Fine 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 (“Mr. Sun”)**, aged 44, 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 and Earn Fine 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 (“Mr. Cheng”)**, aged 51, resigned as an Executive Director with effect from 5 August 2016 and was re-appointed as an Executive Director on 18 November 2016. 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. Tam Yiu Cheung (“Mr. Tam”)**, aged 35, is a member and a fellow member of the Association of Chartered Certified Accountants since 2007 and 2012 respectively. He is also a charter holder of the Chartered Financial Analyst since 2013. He also holds a Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology. Mr. Tam has over 10 years of experience in auditing, accounting, finance and operation management. Mr. Tam was an accountant at KPMG and BDO Limited from 2004 to 2006 and 2008 to 2011 respectively. He was responsible for overseeing audit work for clients, including listed companies, from different industries. During his time as a financial controller for Abterra Ltd. (stock code: SGX:L5), a company listed on the stock exchange of the Singapore Exchange Limited, from 2011 to 2014, he oversaw the accounting and financial functions of that company. From 2015 to 2016, he was an independent non-executive director of Gold Tat Group International Limited (stock code: 8266), a company listed on the Growth Enterprise Market Board of the Stock Exchange. He is currently a director of a trading company. Mr. Tam has been appointed as an Independent Non-executive Director, a member and the chairman of each of the Audit Committee, Remuneration committee and Nomination Committee with effect from 22 August 2016.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

**Mr. Liu Qing Chen (“Mr. Liu”)**, aged 48, 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 member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

**Ms. Tan Xiao Yan (“Ms. Tan”)**, aged 48, was appointed as an Independent Non-executive Director on 4 January 2013. She holds a Bachelor’s Degree of Economics from the Xiamen University (廈門大學), and a 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.

### COMPANY SECRETARY

**Mr. Hung Kai Ming (“Mr. Hung”)**, aged 41, 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 18 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 2016.

### 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 11 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 2016 and the financial position of the Group at the balance sheet date are set out in the consolidated financial statements on pages 32 to 35.

No dividend has been declared or proposed by the Directors of the Company in respect of the year ended 31 December 2016 (2015: 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 100. 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 33 and 34 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 2016.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity as set out in the consolidated financial statements on page 36.

### MAJOR CUSTOMERS AND SUPPLIERS

The Group’s aggregate turnover with its five largest customers did not exceed 30% of the Group’s total turnover in 2016.

In the year under review, expenses arising from purchases of goods and provision of services from the Group’s five largest suppliers accounted for 85.62% 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 84.48%.

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. (2015: Nil).

### 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 | <i>(Resigned with effect from 5 August 2016 and was re-appointed on 18 November 2016)</i> |
| Mr. Ip Ka Ki        | <i>(Appointed on 5 August 2016 and resigned with effect from 18 November 2016)</i>        |
| Ms. To Hoi Man      | <i>(Appointed on 5 August 2016 and resigned with effect from 23 November 2016)</i>        |

#### Independent Non-executive Directors:

|                      |                                                  |
|----------------------|--------------------------------------------------|
| Mr. Tam Yiu Cheung   | <i>(Appointed as Chairman on 22 August 2016)</i> |
| Mr. Liu Qing Chen    | <i>(Resigned as Chairman on 22 August 2016)</i>  |
| Ms. Tan Xiao Yan     |                                                  |
| Mr. Zhang Chun Qiang | <i>(Resigned on 22 August 2016)</i>              |

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

In accordance with the Bye-law nos. 86(2) and 87(2), Mr. Cheng Wai Keung and Mr. Tam Yiu Cheung should hold office until the AGM and being eligible for re-election at the AGM.

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 page 12 to 13 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 2016, 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 the 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 343,391 shares, representing 10% of 3,433,911 shares, the total issued shares of the Company at the date on which the Share Option Scheme was adopted (as adjusted to reflect the share consolidation effective on 29 August 2013, 10 June 2014 and 11 August 2016 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 2016.

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

### 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 2016, 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\$1 each of the Company

| Name of Director | Number of shares held, capacity and nature of interest |                                  |                                         |                        | Total      | Approximate percentage of the Company’s total issued capital (Note 1) |
|------------------|--------------------------------------------------------|----------------------------------|-----------------------------------------|------------------------|------------|-----------------------------------------------------------------------|
|                  | Directly beneficially owned                            | Through spouse or minor children | Through controlled corporation (Note 2) | Beneficiary of a trust |            |                                                                       |
| Mr. Li Ge        | 20,871,240                                             | –                                | 47,604,029                              | –                      | 68,475,269 | 14.84%                                                                |

Note:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 461,359,756 issued shares as at 31 December 2016.
- (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.
- (3) On 3 August 2016, Mr. Li Ge and his beneficially owned company – True Allied Assets Limited, have pledged 68,475,269 (after adjusting the effects of the open offer, issue of bonus shares and share consolidation on 11 August 2016) ordinary shares of the Company in favour of Bravo Profit Holdings Limited, Chau’s Holdings Company Limited, Cheng Family Investment Holdings Company Limited, Eminent Crest Holdings Limited, Peak Stand Holdings Limited, Sun Finance Company Limited, Mr. Chau Cheok Wa and Mr. Cheng Ting Kong as security for a loan facility provided by them.

Save as disclosed above, as at 31 December 2016, 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 2016, 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\$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 |
|--------------------------------------------------|-------|---------------------------------|--------------------------------|--------------------------------------------------------------|
| <b>Substantial Shareholder</b>                   |       |                                 |                                |                                                              |
| True Allied Assets Limited                       | 1,2   | Beneficial owner                | 47,604,029                     | 10.32%                                                       |
| Bravo Profit Holdings Limited                    | 3     | Security interest               | 68,475,269                     | 14.84%                                                       |
| Chau's Holdings Company Limited                  | 3     | Security interest               | 68,475,269                     | 14.84%                                                       |
| Cheng Family Investment Holdings Company Limited | 3     | Security interest               | 68,475,269                     | 14.84%                                                       |
| Eminent Crest Holdings Limited                   | 3     | Security interest               | 68,475,269                     | 14.84%                                                       |
| Peak Stand Holdings Limited                      | 3     | Security interest               | 68,475,269                     | 14.84%                                                       |
| Sun Finance Company Limited                      | 3     | Security interest               | 68,475,269                     | 14.84%                                                       |
| Chau Cheok Wa                                    | 3     | Security interest               | 68,475,269                     | 14.84%                                                       |
| Cheng Ting Kong                                  | 3     | Security interest               | 68,475,269                     | 14.84%                                                       |

Note:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 461,359,756 issued shares as at 31 December 2016.
- (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.
- (3) On 3 August 2016, Mr. Li Ge and his beneficially owned company – True Allied Assets Limited, have pledged 68,475,269 (after adjusting the effects of the open offer, issue of bonus shares and share consolidation on 11 August 2016) ordinary shares of the Company in favour of Bravo Profit Holdings Limited, Chau's Holdings Company Limited, Cheng Family Investment Holdings Company Limited, Eminent Crest Holdings Limited, Peak Stand Holdings Limited, Sun Finance Company Limited, Mr. Chau Cheok Wa and Mr. Cheng Ting Kong as security for a loan facility provided by them.

Save as disclosed above, as at 31 December 2016, 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.

## REPORT OF THE DIRECTORS

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 20 to 26.

### MATERIAL EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 42 to the consolidated financial statements.

### AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") on 7 July 2000 with its written terms of reference pursuant to Rules 5.28 to 5.33 of the GEM Listing Rules. Approved by the Directors attending the Board meeting held on 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. Tam Yiu Cheung, Mr. Liu Qing Chen and Ms. Tan Xiao Yan, 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 2016 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  
30 March 2017

# 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 2016, 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 2016 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 (*Resigned with effect from 5 August 2016 and was re-appointed on 18 November 2016*)

Mr. Ip Ka Ki (*Appointed on 5 August 2016 and resigned with effect from 18 November 2016*)

Ms. To Hoi Man (*Appointed on 5 August 2016 and resigned with effect from 23 November 2016*)

### Independent Non-executive Directors

Mr. Tam Yiu Cheung

*(Appointed as Chairman on 22 August 2016)*

Mr. Liu Qing Chen (*Resigned as Chairman on 22 August 2016*)

Ms. Tan Xiao Yan

Mr. Zhang Chun Qiang (*Resigned on 22 August 2016*)

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.

## CORPORATE GOVERNANCE REPORT

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;                         | (3) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;               |
| (2) to review and monitor the training and continuous professional development of Directors and senior management; | (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 73 meetings during the year 2016. Details of the attendance of the Board meetings are as follows:

| Name of Directors                                         | Meetings<br>attended/held | Attendance<br>rate |
|-----------------------------------------------------------|---------------------------|--------------------|
| <i>Executive Directors</i>                                |                           |                    |
| Mr. Li Ge ( <i>chairman and chief executive officer</i> ) | 73/73                     | 100%               |
| Mr. Sun, Miguel                                           | 73/73                     | 100%               |
| Mr. Cheng Wai Keung                                       | 43/48                     | 89.58%             |
| Mr. Ip Ka Ki                                              | 19/21                     | 90.48%             |
| Ms. To Hoi Man                                            | 19/21                     | 90.48%             |
| <i>Independent Non-executive Directors</i>                |                           |                    |
| Mr. Tam Yiu Cheung                                        | 35/36                     | 97.22%             |
| Mr. Liu Qing Chen                                         | 73/73                     | 100%               |
| Ms. Tan Xiao Yan                                          | 73/73                     | 100%               |
| Mr. Zhang Chun Qiang                                      | 37/37                     | 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 2016, the Company held 1 general meeting, being 1 annual general meeting held on 6 May 2016.

# CORPORATE GOVERNANCE REPORT

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

| Name of Directors                                         | Meetings<br>attended/held | Attendance<br>rate |
|-----------------------------------------------------------|---------------------------|--------------------|
| <i>Executive Directors</i>                                |                           |                    |
| Mr. Li Ge ( <i>chairman and chief executive officer</i> ) | 1/1                       | 100%               |
| Mr. Sun, Miguel                                           | 1/1                       | 100%               |
| Mr. Cheng Wai Keung                                       | 1/1                       | 100%               |
| <i>Independent Non-executive Directors</i>                |                           |                    |
| Mr. Liu Qing Chen                                         | 1/1                       | 100%               |
| Mr. Zhang Chun Qiang                                      | 1/1                       | 100%               |
| Ms. Tan Xiao Yan                                          | 1/1                       | 100%               |

## DIRECTORS' TRAINING

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

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

## DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

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

## CHAIRMAN AND CHIEF EXECUTIVE (CODE PROVISION A.2.1)

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

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

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

- the three Independent Non-executive Directors form half of the six-member Board;
- the Audit Committee, the 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.

# CORPORATE GOVERNANCE REPORT

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).

The other two Executive Directors, Mr. Sun, Miguel and Mr. Cheng Wai Keung, and the three Independent Non-executive Directors, Mr. Tam Yiu Cheung, Mr. Liu Qing Chen, 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 | 18 November 2016 |

### Independent Non-executive Directors

|                    |                |
|--------------------|----------------|
| Mr. Tam Yiu Cheung | 22 August 2016 |
| Mr. Liu Qing Chen  | 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 2016, namely Mr. Tam Yiu Cheung (chairman), Mr. Liu Qing Chen and Ms. Tan Xiao Yan 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 2016, the Remuneration Committee has held 4 meetings, and the matters under discussion include to review and recommend on the remuneration packages of all the then Board members.



## CORPORATE GOVERNANCE REPORT

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

| Name of members                                                       | Meetings<br>attended/held | Attendance<br>rate |
|-----------------------------------------------------------------------|---------------------------|--------------------|
| Mr. Tam Yiu Cheung ( <i>Appointed as chairman on 22 August 2016</i> ) | 1/1                       | 100%               |
| Mr. Liu Qing Chen ( <i>Resigned as chairman on 22 August 2016</i> )   | 4/4                       | 100%               |
| Ms. Tan Xiao Yan                                                      | 4/4                       | 100%               |
| Mr. Zhang Chun Qiang ( <i>Resigned on 22 August 2016</i> )            | 3/3                       | 100%               |

### NOMINATION COMMITTEE

On 1 March 2012, the Board established a Nomination Committee comprising Mr. Tam Yiu Cheung (an Independent Non-executive Director) as the chairman, and Mr. Liu Qing Chen (an Independent Non-executive Director) and Ms. Tang Xiao Yan (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 2016, the Nomination Committee has held 4 meeting, and the matters under discussion include to access the structure, size and composition of the Board.

| Name of members                                                       | Meetings<br>attended/held | Attendance<br>rate |
|-----------------------------------------------------------------------|---------------------------|--------------------|
| Mr. Tam Yiu Cheung ( <i>Appointed as chairman on 22 August 2016</i> ) | 1/1                       | 100%               |
| Mr. Liu Qing Chen ( <i>Resigned as chairman on 22 August 2016</i> )   | 4/4                       | 100%               |
| Ms. Tan Xiao Yan                                                      | 4/4                       | 100%               |
| Mr. Zhang Chun Qiang ( <i>Resigned on 22 August 2016</i> )            | 2/2                       | 100%               |

# CORPORATE GOVERNANCE REPORT

## AUDITORS' REMUNERATION

An amount of approximately HK\$780,000 (2015: 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 2016 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 |
|----------------------|----------|
| Auditor remuneration |          |
| Audit service        | 780      |
| Other service        | 271      |
|                      | 1,051    |

## 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.

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

| Name of members                                                       | Meetings<br>attended/held | Attendance<br>rate |
|-----------------------------------------------------------------------|---------------------------|--------------------|
| Mr. Tam Yiu Cheung ( <i>Appointed as chairman on 22 August 2016</i> ) | 1/1                       | 100%               |
| Mr. Liu Qing Chen ( <i>Resigned as chairman on 22 August 2016</i> )   | 4/4                       | 100%               |
| Ms. Tan Xiao Yan                                                      | 4/4                       | 100%               |
| Mr. Zhang Chun Qiang ( <i>Resigned on 22 August 2016</i> )            | 3/3                       | 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 2016, 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 cast significant doubt upon the ability of the Company to continue as a going concern basis.

The Audit Committee comprised three Independent Non-executive Directors as at 31 December 2016, namely Mr. Tam Yiu Cheung (chairman), Mr. Liu Qing Chen and Ms. Tan Xiao Yan respectively.

In the year 2016, the Audit Committee had held 4 meetings. The Group's 2016 quarterly reports, 2016 half-yearly report, 2015 and 2016 annual results and 2015 and 2016 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 and risk management systems of the Group and provided opinions and recommendations to the Board for approval and follow-up.

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

The 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 2016.

## 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.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS

### 1. Convene Special General Meeting

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

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

- at least twenty-one (21) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes a special resolution of the Company; and
- at least fourteen (14) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

### 2. Put Enquiries to the Board

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

Shareholders also have the right to put enquiries to the Board, all enquiries shall be in writing and sent by post to the registered office of the Company in Hong Kong at Room 1005, 10/F., C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong or by email to [info@grandpeace.com.hk](mailto: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](http://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



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)*

### OPINION

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 32 to 99, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

## INDEPENDENT AUDITORS' REPORT

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Impairment review of intangible assets</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Refer to Note 17 to the consolidated financial statements and the accounting policies in Note 3 to the consolidated financial statements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <p>The carrying values of intangible assets was approximately HK\$78,430,000 as at 31 December 2016, with impairment loss of approximately HK\$3,310,000 for the year ended 31 December 2016 recognised in the consolidated statement of profit or loss and other comprehensive income.</p> <p>The Company engaged an independent valuer ("Group's Valuer") in assisting the management to determine recoverable amount (based on valuation in use valuation model) of the intangible assets as at 31 December 2016.</p> <p>In determine the recoverable amount, following assumptions were involved:</p> <ul style="list-style-type: none"> <li>- expected revenue and net profit; and</li> <li>- discount rate.</li> </ul> <p>The intangible assets was significant to the Group. Management's assessment of the recoverable amount involve significant judgements and estimates towards future result of operation related to intangible assets.</p> | <p>Our procedures in relation to the impairment assessment of intangible assets included:</p> <ul style="list-style-type: none"> <li>• discussing with the management of the Company and the Group's Valuer the valuation methodology, bases and assumptions used in determining the recoverable amount of intangible assets;</li> <li>• checking the objectivity, competence and capability of the Group's Valuer;</li> <li>• comparing the assumption used by the Company and information obtained by us;</li> <li>• recalculating the recoverable amount base on management valuation methodologies and assumptions; and</li> <li>• engaging an external valuation specialist to assist us in evaluating the reasonableness and appropriateness of the valuation performed by the Group's Valuer.</li> </ul> <p>We found the carrying values of the intangible assets supported by the available evidence.</p> |

# INDEPENDENT AUDITORS' REPORT

## KEY AUDIT MATTERS (Continued)

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Impairment review of loan receivables</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Refer to Note 22 to the consolidated financial statements and the accounting policies in Note 3 to the consolidated financial statements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>The carrying values of loan receivables was approximately HK\$85,489,000 as at 31 December 2016, with impairment loss of approximately HK\$247,000 for the year ended 31 December 2016 recorded in the consolidated statement of profit or loss and other comprehensive income. Recoverability of loan receivables was significant to the Group's operation.</p> <p>In determining the recoverability of loan receivables, the Group considers any change in credit quality of the loan receivables from the date credit was initially granted up to the reporting date which may require management judgement.</p> | <p>Our procedures in relation to the impairment assessment of loan receivables included:</p> <ul style="list-style-type: none"> <li>• discussing the Group's procedures on credit limits and credit periods given to customers with the management;</li> <li>• evaluating the management's impairment assessment of loan receivables; and</li> <li>• checking, on a sample basis, the accuracy and relevance of information included in the impairment assessment of loan receivables.</li> </ul> <p>We found the carrying values of the loan receivables supported by the available evidence.</p> |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon. ("Other Information").

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

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

## RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

# INDEPENDENT AUDITORS' REPORT

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

## INDEPENDENT AUDITORS' REPORT

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

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

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

The engagement director on the audit resulting in this independent auditors' report is Ng Ka Wah.

**HLB Hodgson Impey Cheng Limited**

Certified Public Accountants

**Ng Ka Wah**

Practicing Certificate Number: P06417

Hong Kong, 30 March 2017



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

For the year ended 31 December 2016

|                                                                                                                                  | Note  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|----------------------------------------------------------------------------------------------------------------------------------|-------|------------------|------------------|
| Turnover                                                                                                                         | 7     | 87,768           | 83,155           |
| Cost of sales                                                                                                                    |       | (66,052)         | (64,016)         |
| Gross profit                                                                                                                     |       | 21,716           | 19,139           |
| Other revenue                                                                                                                    | 7     | 1,580            | 1,112            |
| Other net gain and loss                                                                                                          | 8     | 393              | 157              |
| Fair value change of financial assets at fair value through profit or loss                                                       |       | (387)            | –                |
| Impairment loss of intangible assets                                                                                             | 17    | (3,310)          | –                |
| Selling and distribution costs                                                                                                   |       | (5,717)          | (6,452)          |
| Administrative expenses                                                                                                          |       | (36,665)         | (33,851)         |
| Loss from operations                                                                                                             |       | (22,390)         | (19,895)         |
| Finance costs                                                                                                                    | 10    | (33,793)         | (29,802)         |
| Share of result of associates                                                                                                    | 19(a) | 37               | (655)            |
| Share of result of a joint venture                                                                                               | 19(b) | (1,170)          | (1,182)          |
| Loss before taxation                                                                                                             |       | (57,316)         | (51,534)         |
| Taxation                                                                                                                         | 13    | (936)            | (112)            |
| <b>Loss for the year</b>                                                                                                         | 9     | <b>(58,252)</b>  | (51,646)         |
| <b>Other comprehensive (loss)/income for the year, net of tax items that may be reclassified subsequently to profit or loss:</b> |       |                  |                  |
| Available-for-sale financial assets                                                                                              |       |                  |                  |
| Net loss arising on revaluation of available-for-sale financial assets                                                           |       | –                | (705)            |
| Reclassification adjustment relating to impairment of available-for-sale financial assets                                        |       | –                | 1,115            |
|                                                                                                                                  |       | –                | 410              |
| Exchange differences:                                                                                                            |       |                  |                  |
| Exchange differences arising during the year                                                                                     |       | (5,316)          | (3,628)          |
| Reclassification adjustment relating to foreign operation disposed during the year                                               |       | (64)             | –                |
|                                                                                                                                  |       | (5,380)          | (3,628)          |
| Share of other comprehensive loss of a joint venture                                                                             | 19(b) | (1,492)          | (150)            |
| <b>Total other comprehensive loss for the year, net of tax</b>                                                                   |       | <b>(6,872)</b>   | (3,368)          |
| <b>Total comprehensive loss for the year</b>                                                                                     |       | <b>(65,124)</b>  | (55,014)         |

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

For the year ended 31 December 2016

|                                                              | Note | 2016<br>HK\$'000 | 2015<br>HK\$'000      |
|--------------------------------------------------------------|------|------------------|-----------------------|
| <b>Loss for the year attributable to:</b>                    |      |                  |                       |
| Owners of the Company                                        |      | (53,699)         | (50,508)              |
| Non-controlling interests                                    |      | (4,553)          | (1,138)               |
|                                                              |      | <b>(58,252)</b>  | (51,646)              |
| <b>Total comprehensive loss of the year attributable to:</b> |      |                  |                       |
| Owners of the Company                                        |      | (60,571)         | (53,876)              |
| Non-controlling interests                                    |      | (4,553)          | (1,138)               |
|                                                              |      | <b>(65,124)</b>  | (55,014)              |
| <b>Loss per share</b>                                        |      |                  |                       |
| Basic and diluted (HK cents per share)                       | 15   | (23.85)          | (Restated)<br>(85.99) |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

|                                                       | Note  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-------------------------------------------------------|-------|------------------|------------------|
| <b>Non-current assets</b>                             |       |                  |                  |
| Property, plant and equipment                         | 16    | 47,540           | 10,740           |
| Intangible assets                                     | 17    | 78,430           | 86,673           |
| Interests in associates                               | 19(a) | 25,037           | –                |
| Interests in a joint venture                          | 19(b) | 22,467           | 22,879           |
| Available-for-sale financial assets                   | 20    | 55               | 55               |
| Long-term prepayment                                  | 21    | 152,750          | –                |
| Loan receivables                                      | 22    | 8,311            | 7,004            |
|                                                       |       | <b>334,590</b>   | 127,351          |
| <b>Current assets</b>                                 |       |                  |                  |
| Inventories                                           | 23    | 10,396           | 128              |
| Trade receivables                                     | 24    | –                | 232              |
| Loan receivables                                      | 22    | 77,178           | 29,174           |
| Promissory note receivable                            | 25    | 32,000           | –                |
| Financial assets at fair value through profit or loss | 26    | 9,611            | –                |
| Prepayments, deposits and other receivables           | 27    | 114,759          | 101,979          |
| Pledged bank deposits                                 | 28    | 14,716           | 29,239           |
| Cash and bank balances                                | 29    | 55,089           | 10,070           |
|                                                       |       | <b>313,749</b>   | 170,822          |
| <b>Current liabilities</b>                            |       |                  |                  |
| Trade payables                                        | 30    | 320              | 261              |
| Borrowings                                            | 31    | 121,888          | 83,031           |
| Other payables and accruals                           | 32    | 21,027           | 12,241           |
| Receipts in advance                                   |       | 630              | 551              |
| Tax payable                                           |       | 541              | 112              |
|                                                       |       | <b>144,406</b>   | 96,196           |
| <b>Net current assets</b>                             |       | <b>169,343</b>   | 74,626           |
| <b>Total assets less current liabilities</b>          |       | <b>503,933</b>   | 201,977          |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

|                                                           | Note | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-----------------------------------------------------------|------|------------------|------------------|
| <b>Non-current liability</b>                              |      |                  |                  |
| Borrowings                                                | 31   | 46,641           | 89,723           |
| <b>Net assets</b>                                         |      | <b>457,292</b>   | 112,254          |
| <b>Capital and reserves</b>                               |      |                  |                  |
| Share capital                                             | 33   | 461,360          | 35,489           |
| Reserves                                                  | 35   | 16,627           | 92,907           |
| <b>Total equity attributable to owners of the Company</b> |      | <b>477,987</b>   | 128,396          |
| Non-controlling interests                                 |      | (20,695)         | (16,142)         |
| <b>Total equity</b>                                       |      | <b>457,292</b>   | 112,254          |

Approved by the Board of Directors on 30 March 2017 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 2016

|                                                                                             | Attribute to owners of the Company |               |                        |                    |                                                   |                  |          |                           |              |
|---------------------------------------------------------------------------------------------|------------------------------------|---------------|------------------------|--------------------|---------------------------------------------------|------------------|----------|---------------------------|--------------|
|                                                                                             | Share capital                      | Share premium | Contributed surplus    | Accumulated losses | Available-for-sale securities revaluation reserve | Exchange reserve | Subtotal | Non-controlling interests | Total equity |
|                                                                                             | HK\$'000                           | HK\$'000      | HK\$'000<br>Note 35(i) | HK\$'000           | HK\$'000<br>Note 35(ii)                           | HK\$'000         | HK\$'000 | HK\$'000                  | HK\$'000     |
| At 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)/income 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 adjustment 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 and 1 January 2016                                                      | 35,489                             | 347,887       | 36,000                 | (288,336)          | -                                                 | (2,644)          | 128,396  | (16,142)                  | 112,254      |
| Loss for the year                                                                           | -                                  | -             | -                      | (53,699)           | -                                                 | -                | (53,699) | (4,553)                   | (58,252)     |
| Other comprehensive loss for the year                                                       |                                    |               |                        |                    |                                                   |                  |          |                           |              |
| - Exchange differences arising during the year                                              | -                                  | -             | -                      | -                  | -                                                 | (5,380)          | (5,380)  | -                         | (5,380)      |
| - Share of other comprehensive loss of a joint venture                                      | -                                  | -             | -                      | -                  | -                                                 | (1,492)          | (1,492)  | -                         | (1,492)      |
| Total comprehensive loss for the year                                                       | -                                  | -             | -                      | (53,699)           | -                                                 | (6,872)          | (60,571) | (4,553)                   | (65,124)     |
| Reduction of share premium and transfer to the contributed surplus                          | -                                  | (347,887)     | 347,887                | -                  | -                                                 | -                | -        | -                         | -            |
| Open offer                                                                                  | 354,892                            | 70,979        | -                      | -                  | -                                                 | -                | 425,871  | -                         | 425,871      |
| Transaction costs attributed to issue of shares                                             | -                                  | -             | (15,709)               | -                  | -                                                 | -                | (15,709) | -                         | (15,709)     |
| Issue of bonus shares                                                                       | 70,979                             | (70,979)      | -                      | -                  | -                                                 | -                | -        | -                         | -            |
| At 31 December 2016                                                                         | 461,360                            | -             | 368,178                | (342,035)          | -                                                 | (9,516)          | 477,987  | (20,695)                  | 457,292      |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

|                                                                            | Note  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|----------------------------------------------------------------------------|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>                                |       |                  |                  |
| Loss before taxation                                                       |       | (57,316)         | (51,534)         |
| Adjustments for:                                                           |       |                  |                  |
| Bank interest income                                                       | 7     | (131)            | (294)            |
| Share of result of associates                                              | 19(a) | (37)             | 655              |
| Share of result of a joint venture                                         | 19(b) | 1,170            | 1,182            |
| Depreciation of property, plant and equipment                              | 9     | 1,800            | 1,704            |
| Loss on disposal of property, plant and equipment                          | 9     | –                | 3                |
| Amortisation of intangible assets                                          | 17    | –                | 5                |
| Gain on disposal of a subsidiary                                           | 41    | (2)              | –                |
| Impairment loss on loan receivables                                        | 22    | 247              | –                |
| Impairment loss on interest in associates and amount due from an associate | 19(a) | –                | 6,315            |
| Impairment loss of intangible assets                                       | 17    | 3,310            | –                |
| Impairment loss of available-for-sale financial assets                     |       | –                | 1,115            |
| Impairment loss on trade receivables                                       | 24    | 217              | –                |
| Finance costs                                                              | 10    | 33,793           | 29,802           |
| Operating cash flow before working capital changes                         |       | (16,949)         | (11,047)         |
| (Increase)/decrease in inventories                                         |       | (10,268)         | 43               |
| Decrease in trade receivables                                              |       | 15               | 13               |
| Increase in loan receivables                                               |       | (49,558)         | (17,729)         |
| (Increase)/decrease in prepayment, deposits and other receivables          |       | (12,780)         | 6,912            |
| Increase/(decrease) in trade payables                                      |       | 59               | (23)             |
| Increase in other payables and accruals                                    |       | 8,786            | 5,877            |
| Increase in financial assets at fair value through profit or loss          |       | (9,611)          | –                |
| Increase in promissory note receivable                                     |       | (32,000)         | –                |
| Increase/(decrease) in receipts in advance                                 |       | 79               | (107)            |
| Decrease in amount due to Director                                         |       | –                | (124)            |
| Cash used in operations                                                    |       | (122,227)        | (16,185)         |
| Profits tax paid                                                           |       | (507)            | –                |
| Net cash outflow from operating activities                                 |       | (122,734)        | (16,185)         |

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

|                                                                                       | Note | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---------------------------------------------------------------------------------------|------|------------------|------------------|
| <b>Cash flows from investing activities</b>                                           |      |                  |                  |
| Interest received                                                                     |      | 131              | 294              |
| Investment in associates                                                              |      | (25,000)         | –                |
| Investment in a joint venture                                                         |      | (2,250)          | (2,617)          |
| Purchase of property, plant and equipment                                             |      | (39,173)         | (9,812)          |
| (Increase)/decrease in prepayments                                                    |      | (152,750)        | 3,792            |
| Decrease/(increase) in pledged bank deposits                                          |      | 14,523           | (289)            |
| Net cash outflow from disposal of a subsidiary                                        | 41   | (28)             | –                |
| Net cash outflow from investing activities                                            |      | (204,547)        | (8,632)          |
| <b>Cash flows from financial activities</b>                                           |      |                  |                  |
| Interest paid                                                                         |      | (33,793)         | (29,802)         |
| Proceeds from issue of shares                                                         |      | 410,162          | –                |
| Proceeds from issue of bonds                                                          |      | –                | 58,648           |
| Repayment of bonds                                                                    |      | (4,225)          | –                |
| Net cash flows from financing activities                                              |      | 372,144          | 28,846           |
| <b>Net increase in cash and cash equivalents</b>                                      |      |                  |                  |
| Cash and cash equivalents at the beginning of the year                                |      | 10,070           | 6,555            |
| Effects of exchange rate changes on the balance<br>of cash held in foreign currencies |      | 156              | (514)            |
| <b>Cash and cash equivalents at the end of the year</b>                               |      | <b>55,089</b>    | <b>10,070</b>    |
| <b>Analysis of balance of cash and cash equivalents</b>                               |      |                  |                  |
| Cash and bank balances                                                                | 29   | 55,089           | 10,070           |

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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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.

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”) which is the same as the functional currency of the Company. All values are rounded to the nearest thousand (HK\$’000), unless otherwise stated.

## 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 Company’s financial year beginning 1 January 2016. A summary of the new HKFRSs are set out as below:

|                                                     |                                                                      |
|-----------------------------------------------------|----------------------------------------------------------------------|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | Investment Entities: Applying the Consolidation Exception            |
| Amendments to HKFRS 11                              | Accounting for Acquisitions of Interests in Joint Operations         |
| HKFRS 14                                            | Regulatory Deferral Accounts                                         |
| Amendments to HKAS 1                                | Disclosure Initiative                                                |
| Amendments to HKAS 16 and HKAS 38                   | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41                   | Agriculture: Bearer Plants                                           |
| Amendments to HKAS 27 (2011)                        | Equity Method in Separate Financial Statements                       |
| Annual Improvements 2012–2014 Cycle                 | Amendments to a number of HKFRSs                                     |

In the opinion of Directors, except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the Annual Improvements 2012–2014 Cycle, which are not relevant to the preparation of the Group’s financial statements, 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.

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

|                                           |                                                                                                     |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Amendments to HKFRSs                      | Annual Improvements to HKFRSs 2014–2016 Cycle <sup>5</sup>                                          |
| Amendments to HKFRS 2                     | Classification and Measurement of Share-based Payment Transactions <sup>2</sup>                     |
| Amendments to HKFRS 4                     | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>2</sup>                |
| HKFRS 9                                   | Financial Instruments <sup>2</sup>                                                                  |
| Amendments to HKFRS 10 and HKAS 28 (2011) | Sale or Contribution of Assets between and Investor and its Associate or Joint Venture <sup>4</sup> |
| HKFRS 15                                  | Revenue from Contracts with Customers <sup>2</sup>                                                  |
| Amendments to HKFRS 15                    | Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>2</sup>                       |
| HKFRS 16                                  | Lease <sup>3</sup>                                                                                  |
| Amendments to HKAS 7                      | Disclosure Initiative <sup>1</sup>                                                                  |
| Amendments to HKAS 12                     | Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>                               |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Further information about those HKFRSSs that are expected to be applicable to the Group is as follows:

### 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 are in the process of making an assessment of 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 2016

## 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 are 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.

### HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### HKFRS 16 “Leases” (Continued)

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group as lessee has non-cancellable operating lease commitments of approximately HK\$14,560,000 as disclosed in Note 36. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

The Group is in the process of assessing the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether the other new and revised HKFRSs will have a significant impact on the Group's financial performance and position.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs (which also include Hong Kong Accounting Standards (“HKASs”) and interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the applicable disclosure required by the Hong Kong Companies Ordinance and the applicable disclosure provisions of The Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, 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 judgements 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 the revision and future periods if the revision affects both current and future periods.

Judgements 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### **Basis of preparation**

The consolidated financial statements has been prepared under the historical cost convention excepted for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies 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.

### **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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

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

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.

### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

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

#### *Changes in the Group's ownership interests in existing subsidiaries (Continued)*

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 is 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.

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 recognizing 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### **Interest in associate** *(Continued)*

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.

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;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### **Business combinations** *(Continued)*

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with 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 reassessment, 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, when applicable, on the basis specified in another HKFRS.

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 included 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 against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at 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.

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 at the acquisition date that, if known, would have affected the amounts recognised at that date.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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. 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.

### 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.

### Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### **Impairment of tangible and intangible assets other than goodwill** *(Continued)*

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 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.

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 reporting entity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Close family members of an individual are those family members who may be expected to influence, or be influenced 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 historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

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

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

### **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

The Group's financial assets are classified into loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets ("AFS financial assets") and held-to-maturity investments. 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 market place.

#### *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 fair value through profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### **Financial instruments** *(Continued)*

#### Financial assets *(Continued)*

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

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss 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 fair value through profit or loss.

Financial assets at fair value through profit or loss 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 "other gains and losses" line item. Fair value is determined in the manner described in Note 5.

##### *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 2016

## 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 loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment 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.

AFS equity investments that do not have a quoted market price in the 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 are measured at cost less any identified impairment losses at the end of each 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 bills receivables, other receivables, pledged bank deposits, 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 fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 2016

## 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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### **Financial instruments** *(Continued)*

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 fair value through profit or loss.

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

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss on initial recognition.

- 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 2016

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

### **Financial instruments** *(Continued)*

Financial liabilities and equity instruments *(Continued)*

*Financial liabilities at fair value through profit or loss (Continued)*

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss 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 fair value through profit or loss 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 contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### **Financial instruments** *(Continued)*

Financial liabilities and equity instruments *(Continued)*

#### *Other financial liabilities*

Other financial liabilities (including trade payables, other payables and accruals 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 continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, 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 2016

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

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### **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**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### **Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### **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**

Short term employee benefits and contributions to defined contribution retirement plans Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### **Employee benefits** *(Continued)*

#### *Pension schemes (Continued)*

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.

### **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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

### (a) Income tax

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

### (b) Impairment of property, plant and equipment

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

### (c) Impairment of trade receivables and loan receivables

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 2016 was approximately HK\$78,430,000 (2015: HK\$86,673,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### (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

|                                                             | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-------------------------------------------------------------|------------------|------------------|
| <b>Financial assets</b>                                     |                  |                  |
| Loans and receivables (including cash and cash equivalents) | 257,386          | 177,167          |
| Financial assets at fair value through profit or loss       | 9,611            | –                |
| Available-for-sale financial assets                         | 55               | 55               |
|                                                             | <b>267,052</b>   | 177,222          |
| <b>Financial liabilities</b>                                |                  |                  |
| Measured at amortised cost                                  | 189,876          | 185,256          |

### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

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

#### *Foreign currency risk management*

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

#### Credit risk

As at 31 December 2016 and 2015, 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 2016 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 2016 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 2016

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

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

Liquidity risk *(Continued)*

|                                             | Weighted<br>average<br>effective<br>interest rate<br>% | Within<br>1 year<br>HK\$'000 | Over<br>1 year<br>HK\$'000 | Total<br>undiscounted<br>cash flows<br>HK\$'000 | Total<br>carrying<br>amount<br>HK\$'000 |
|---------------------------------------------|--------------------------------------------------------|------------------------------|----------------------------|-------------------------------------------------|-----------------------------------------|
| <b>2016</b>                                 |                                                        |                              |                            |                                                 |                                         |
| <b>Non-derivative Financial liabilities</b> |                                                        |                              |                            |                                                 |                                         |
| Trade payables                              | –                                                      | 320                          | –                          | 320                                             | 320                                     |
| Other payables and accruals                 | –                                                      | 21,027                       | –                          | 21,027                                          | 21,027                                  |
| Borrowings                                  | 18                                                     | 139,984                      | 63,330                     | 203,314                                         | 168,529                                 |
|                                             |                                                        | <b>161,331</b>               | <b>63,330</b>              | <b>224,661</b>                                  | <b>189,876</b>                          |
| <b>2015</b>                                 |                                                        |                              |                            |                                                 |                                         |
| <b>Non-derivative Financial liabilities</b> |                                                        |                              |                            |                                                 |                                         |
| 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                                 |
|                                             |                                                        | <b>117,366</b>               | <b>103,108</b>             | <b>220,474</b>                                  | <b>185,256</b>                          |

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 2016

## 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 2016<br>HK\$'000 | 31 December 2015<br>HK\$'000 |                      |                                     |
| <b>Financial assets</b>                               |                              |                              |                      |                                     |
| Available-for-sale financial assets                   | 55                           | 55                           | Level 1              | Quoted bid prices on active market  |
| Financial assets at fair value through profit or loss | 9,611                        | –                            | Level 1              | Quoted bid prices on active market  |

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 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 2016, 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.

|                     | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---------------------|------------------|------------------|
| Debts <sup>#</sup>  | 168,529          | 172,754          |
| Shareholders equity | 477,987          | 128,396          |
| Gearing ratio       | 35.26%           | 134.54%          |

<sup>#</sup> Total debts comprise borrowings as detailed in Note 31.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 6. SEGMENT INFORMATION

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

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

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

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

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

Segment liabilities comprise operating liabilities.

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

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

- Provision of funeral services and sale of funeral related products
- Loan financing business

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 6. SEGMENT INFORMATION (Continued)

### (a) Segment revenue and results

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

|                                                               | Provision of funeral services and sale of funeral related products |                  | Loan financing business |                  | Total            |                  |
|---------------------------------------------------------------|--------------------------------------------------------------------|------------------|-------------------------|------------------|------------------|------------------|
|                                                               | 2016<br>HK\$'000                                                   | 2015<br>HK\$'000 | 2016<br>HK\$'000        | 2015<br>HK\$'000 | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
| <b>Segment revenue:</b>                                       |                                                                    |                  |                         |                  |                  |                  |
| Sale to external customers                                    | 82,220                                                             | 78,712           | 5,548                   | 4,443            | 87,768           | 83,155           |
| <b>Segment results</b>                                        | <b>(13,825)</b>                                                    | <b>(3,077)</b>   | <b>3,316</b>            | <b>1,689</b>     | <b>(10,509)</b>  | <b>(1,386)</b>   |
| Interest income                                               |                                                                    |                  |                         |                  | 2                | 4                |
| Unallocated gains                                             |                                                                    |                  |                         |                  | 1,232            | 813              |
| Impairment loss on amount due from an associate               |                                                                    |                  |                         |                  | -                | (6,315)          |
| Impairment loss on available-for-sale financial assets        |                                                                    |                  |                         |                  | -                | (1,115)          |
| Loss of financial assets at fair value through profit or loss |                                                                    |                  |                         |                  | (387)            | -                |
| Corporate and other unallocated expenses                      |                                                                    |                  |                         |                  | (12,728)         | (11,894)         |
| Finance costs                                                 |                                                                    |                  |                         |                  | (33,793)         | (29,802)         |
| Share of result of associates                                 |                                                                    |                  |                         |                  | 37               | (655)            |
| Share of result of a joint venture                            |                                                                    |                  |                         |                  | (1,170)          | (1,182)          |
| Loss before taxation                                          |                                                                    |                  |                         |                  | (57,316)         | (51,534)         |
| Taxation                                                      |                                                                    |                  |                         |                  | (936)            | (112)            |
| Loss for the year                                             |                                                                    |                  |                         |                  | (58,252)         | (51,646)         |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 6. SEGMENT INFORMATION (Continued)

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

There were no inter-segment sales in the year (2015: 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 financial assets at fair value through profit or loss, finance costs, share of result of associates and joint venture 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<br>Services and sale of<br>Funeral related products |                  | Loan<br>financing business |                  | Total            |                  |
|------------------------------------------------|--------------------------------------------------------------------------|------------------|----------------------------|------------------|------------------|------------------|
|                                                | 2016<br>HK\$'000                                                         | 2015<br>HK\$'000 | 2016<br>HK\$'000           | 2015<br>HK\$'000 | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
| <b>Assets and liabilities</b>                  |                                                                          |                  |                            |                  |                  |                  |
| Segment assets                                 | 355,063                                                                  | 129,918          | 91,495                     | 41,915           | 446,558          | 171,833          |
| Corporate and other<br>unallocated assets      |                                                                          |                  |                            |                  | 201,781          | 126,340          |
| Total assets                                   |                                                                          |                  |                            |                  | 648,339          | 298,173          |
| Segment liabilities                            | 12,867                                                                   | 3,499            | 1,665                      | 147              | 14,532           | 3,646            |
| Corporate and other<br>unallocated liabilities |                                                                          |                  |                            |                  | 176,515          | 182,273          |
| Total liabilities                              |                                                                          |                  |                            |                  | 191,047          | 185,919          |

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, promissory note receivable, financial assets at fair value through profit or loss, 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 2016

## 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            |                  |
|-----------------------------------------------|--------------------------------------------------------------------|------------------|-------------------------|------------------|------------------|------------------|------------------|------------------|
|                                               | 2016<br>HK\$'000                                                   | 2015<br>HK\$'000 | 2016<br>HK\$'000        | 2015<br>HK\$'000 | 2016<br>HK\$'000 | 2015<br>HK\$'000 | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
| <b>Other segment information</b>              |                                                                    |                  |                         |                  |                  |                  |                  |                  |
| Depreciation of property, plant and equipment | 1,726                                                              | 1,669            | 72                      | 35               | 2                | -                | 1,800            | 1,704            |
| Amortisation of intangible assets             | -                                                                  | 5                | -                       | -                | -                | -                | -                | 5                |
| Capital expenditure                           | 38,999                                                             | 9,775            | 169                     | 37               | 5                | -                | 39,173           | 9,812            |
| Impairment loss of intangible assets          | 3,310                                                              | -                | -                       | -                | -                | -                | 3,310            | -                |
| Impairment loss of loan receivables           | -                                                                  | -                | 247                     | 1,436            | -                | -                | 247              | 1,436            |
| Impairment loss of trade receivables          | 217                                                                | -                | -                       | -                | -                | -                | 217              | -                |

### (b) Geographical information

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

|                           | Provision of funeral services and sale of funeral related products |                  | Loan financing business |                  | Unallocated      |                  | Total            |                  |
|---------------------------|--------------------------------------------------------------------|------------------|-------------------------|------------------|------------------|------------------|------------------|------------------|
|                           | 2016<br>HK\$'000                                                   | 2015<br>HK\$'000 | 2016<br>HK\$'000        | 2015<br>HK\$'000 | 2016<br>HK\$'000 | 2015<br>HK\$'000 | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
| <b>Sales</b>              |                                                                    |                  |                         |                  |                  |                  |                  |                  |
| Hong Kong                 | 82,220                                                             | 78,091           | 5,548                   | 4,443            | -                | -                | 87,768           | 82,534           |
| The PRC                   | -                                                                  | 621              | -                       | -                | -                | -                | -                | 621              |
|                           | 82,220                                                             | 78,712           | 5,548                   | 4,443            | -                | -                | 87,768           | 83,155           |
| <b>Non-current assets</b> |                                                                    |                  |                         |                  |                  |                  |                  |                  |
| Hong Kong                 | 153,054                                                            | 8,835            | 13,822                  | 12,417           | 25,098           | 60               | 191,974          | 21,312           |
| The PRC                   | 120,149                                                            | 83,160           | -                       | -                | 22,467           | 22,879           | 142,616          | 106,039          |
|                           | 273,203                                                            | 91,995           | 13,822                  | 12,417           | 47,565           | 22,939           | 334,590          | 127,351          |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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:

|                                                                    | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--------------------------------------------------------------------|------------------|------------------|
| <b>Turnover:</b>                                                   |                  |                  |
| Provision of funeral services and sale of funeral related products | 82,220           | 78,712           |
| Loan interest income                                               | 5,548            | 4,443            |
|                                                                    | <b>87,768</b>    | <b>83,155</b>    |

For the year ended 31 December 2016 and 2015, no single customer contributed 10% or more to the Group's revenue.

|                                               | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-----------------------------------------------|------------------|------------------|
| <b>Other revenue:</b>                         |                  |                  |
| Bank interest income                          | 131              | 294              |
| Interest income on promissory note receivable | 1,230            | –                |
| Sundry income                                 | 219              | 818              |
|                                               | <b>1,580</b>     | <b>1,112</b>     |

## 8. OTHER NET GAIN AND LOSS

|                                             | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---------------------------------------------|------------------|------------------|
| Reversal on written-off of loan receivables | 391              | –                |
| Gain on disposal of a subsidiary (note 41)  | 2                | –                |
| Waiver of other payables                    | –                | 157              |
|                                             | <b>393</b>       | <b>157</b>       |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 9. LOSS FOR THE YEAR

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

|                                                                | Note | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|----------------------------------------------------------------|------|------------------|------------------|
| Cost of inventories sold                                       |      | 679              | 462              |
| Auditors' remuneration                                         |      |                  |                  |
| – Audit services                                               |      | 780              | 650              |
| – Other service                                                |      | 271              | –                |
| Loss on disposal of property, plant and equipment              |      | –                | 3                |
| Impairment loss on trade receivables                           | 24   | 217              | –                |
| Impairment loss on loan receivables                            | 22   | 247              | 1,318            |
| Impairment loss on associates and amount due from an associate |      | –                | 6,315            |
| Impairment loss on available-for-sale financial assets         |      | –                | 1,115            |
| Impairment loss of intangible assets                           |      | 3,310            | –                |
| Amortisation of intangible assets                              | 17   | –                | 5                |
| Depreciation on owned property, plant and equipment            |      | 1,800            | 1,704            |
| Minimum lease payments under operating leases:                 |      |                  |                  |
| Funeral Parlour                                                |      | 59,050           | 55,800           |
| Land and buildings                                             |      | 565              | 517              |
|                                                                |      | <b>59,615</b>    | 56,317           |
| Employee benefits expense (excluding Directors' remuneration)  |      |                  |                  |
| Wages, salaries and other allowances                           |      | 9,600            | 9,041            |
| Pension scheme contributions                                   |      | 423              | 437              |
|                                                                |      | <b>10,023</b>    | 9,478            |

### 10. FINANCE COSTS

|                           | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---------------------------|------------------|------------------|
| Interest on:              |                  |                  |
| Bank and other borrowings | 33,234           | 29,576           |
| Other interest expenses   | 559              | 226              |
| Total finance costs       | <b>33,793</b>    | 29,802           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 11. DIRECTORS' REMUNERATION

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

|                                           | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-------------------------------------------|------------------|------------------|
| Fees                                      | 1,643            | 1,540            |
| Other emoluments:                         |                  |                  |
| Salaries, allowances and benefits in kind | 770              | 575              |
| Pension scheme contributions              | 58               | 29               |
|                                           | <b>2,471</b>     | 2,144            |

During the years ended 31 December 2016 and 2015, 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:

|                             | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-----------------------------|------------------|------------------|
| Liu Qing Chen               | 120              | 120              |
| Tan Xiao Yan                | 85               | 60               |
| Zhang Chun Qiang (Note (i)) | 93               | 60               |
| Tam Yiu Cheung (Note (ii))  | 45               | –                |
|                             | <b>343</b>       | 240              |

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

Note:

- (i) Mr. Zhang Chun Qiang has resigned as on 22 August 2016.
- (ii) Mr. Tam Yiu Cheung has been appointed on 22 August 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 11. DIRECTORS' REMUNERATION (Continued)

### (b) Executive Directors

|                              | Fees<br>HK\$'000 | Salaries,<br>allowances<br>and benefits<br>in kind<br>HK\$'000 | Pension<br>scheme<br>contributions<br>HK\$'000 | Total<br>remuneration<br>HK\$'000 |
|------------------------------|------------------|----------------------------------------------------------------|------------------------------------------------|-----------------------------------|
| <b>2016</b>                  |                  |                                                                |                                                |                                   |
| Executive Directors:         |                  |                                                                |                                                |                                   |
| Li Ge (Note (ii))            | 1,300            | –                                                              | –                                              | 1,300                             |
| Sun, Miguel                  | –                | 447                                                            | 34                                             | 481                               |
| Cheng Wai Keung (Note (iii)) | –                | 185                                                            | 14                                             | 199                               |
| To Hoi Man (Note (iv))       | –                | 71                                                             | 5                                              | 76                                |
| Ip Ka Ki (Note (v))          | –                | 67                                                             | 5                                              | 72                                |
|                              | <b>1,300</b>     | <b>770</b>                                                     | <b>58</b>                                      | <b>2,128</b>                      |
| <b>2015</b>                  |                  |                                                                |                                                |                                   |
| Executive Directors:         |                  |                                                                |                                                |                                   |
| Li Ge (Note (ii))            | 1,300            | –                                                              | –                                              | 1,300                             |
| Sun, Miguel                  | –                | 347                                                            | 17                                             | 364                               |
| Cheng Wai Keung (Note (iii)) | –                | 228                                                            | 12                                             | 240                               |
|                              | <b>1,300</b>     | <b>575</b>                                                     | <b>29</b>                                      | <b>1,904</b>                      |

Note:

- (i) There was no arrangement under which a Director waived or agreed to waive any remuneration during the year ended 31 December 2016 (2015: 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 (2015: Nil).

- (ii) Mr. Li Ge is also the Chief Executive Officer of the Company during the years ended 31 December 2016 and 2015.
- (iii) Mr. Cheng Wai Keung resigned as on 5 August 2016 and re-appointed as Executive Director of the company on 18 November 2016.
- (iv) Ms. To Hoi Man appointed as the Executive Director of the company on 5 August 2016 and resigned on 23 November 2016.
- (v) Mr. Ip Ka Ki appointed as the Executive Director of the company on 5 August 2016 and resigned on 18 November 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2015: one) Directors, details of whose remuneration are set out in Note 11 above. Details of the remuneration of the remaining three (2015: four) non-Director, highest paid employees for the year are as follows:

|                                           | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-------------------------------------------|------------------|------------------|
| Salaries, allowances and benefits in kind | 3,602            | 3,003            |
| Pension scheme contributions              | 139              | 66               |
|                                           | <b>3,741</b>     | 3,069            |

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

|                      | Number of employees |      |
|----------------------|---------------------|------|
|                      | 2016                | 2015 |
| Nil to HK\$1,000,000 | 3                   | 4    |

During the year ended 31 December 2016, no share options were granted to non-Director, highest paid employees in respect of their services to the Group (2015: 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 (2015: 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.

|                              | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|------------------------------|------------------|------------------|
| Current taxation – Hong Kong | 936              | 112              |
| Current taxation – PRC       | –                | –                |
| Tax expenses for the year    | <b>936</b>       | 112              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 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:

|                                                                                                         | 2016            |               | 2015     |        |
|---------------------------------------------------------------------------------------------------------|-----------------|---------------|----------|--------|
|                                                                                                         | HK\$'000        | %             | HK\$'000 | %      |
| Loss before taxation                                                                                    | <b>(57,316)</b> |               | (51,534) |        |
| National tax on loss before taxation, calculated at the rates applicable to tax jurisdictions concerned | <b>(9,777)</b>  | <b>(17.1)</b> | (8,359)  | (16.2) |
| Tax effect of share result of associates                                                                | <b>6</b>        | <b>-</b>      | (108)    | (0.2)  |
| Tax effect of share result of a joint venture                                                           | <b>(193)</b>    | <b>(0.3)</b>  | (296)    | (0.6)  |
| Tax effect of expenses not deductible for tax purpose                                                   | <b>892</b>      | <b>1.6</b>    | 202      | 0.4    |
| Tax effect of income not taxable for tax purpose                                                        | <b>(34)</b>     | <b>(0.1)</b>  | (6)      | -      |
| Tax loss not recognised                                                                                 | <b>10,153</b>   | <b>17.7</b>   | 8,772    | 17.0   |
| Over provision in prior year                                                                            | <b>(111)</b>    | <b>(0.2)</b>  | -        | -      |
| Utilisation of tax losses previously not recognised                                                     | <b>-</b>        | <b>-</b>      | (93)     | (0.2)  |
| Tax expenses for the year                                                                               | <b>936</b>      | <b>1.6</b>    | 112      | 0.2    |

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

|            | 2016          | 2015     |
|------------|---------------|----------|
|            | HK\$'000      | HK\$'000 |
| Tax losses | <b>49,038</b> | 38,885   |

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 2016 (2015: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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.

|                                                                                                          | 2016<br>HK\$'000 | 2015<br>HK\$'000   |
|----------------------------------------------------------------------------------------------------------|------------------|--------------------|
| Loss attributable to owners of the Company,<br>used in the calculation of basic per share from operation | (53,699)         | (50,508)           |
|                                                                                                          | '000             | '000<br>(Restated) |
| <b>Number of shares</b>                                                                                  |                  |                    |
| Weighted average number of ordinary shares in issue during the year (Note)                               | 225,127          | 58,735             |

During the years ended 31 December 2016 and 2015, there is no instrument with potential dilutive shares issued by the Company. Therefore, the basic and diluted losses per share for the respective years are the same.

On 11 August 2016, the Company implemented open offer, issue of bonus shares and share consolidation (Note 33) and the weighted average number of ordinary shares in issue used in the basic loss per share calculation during the year ended 31 December 2015 was adjusted retrospectively.

## 16. PROPERTY, PLANT AND EQUIPMENT

|                                                    | Leasehold<br>improvements<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Furniture<br>and<br>fixtures<br>HK\$'000 | Office and<br>computer<br>equipment<br>HK\$'000 | Total<br>HK\$'000 |
|----------------------------------------------------|---------------------------------------|-------------------------------|------------------------------------------|-------------------------------------------------|-------------------|
| <b>Cost:</b>                                       |                                       |                               |                                          |                                                 |                   |
| At 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 and 1 January 2016             | 13,010                                | 440                           | 183                                      | 1,642                                           | 15,275            |
| Additions                                          | 38,999                                | –                             | 146                                      | 28                                              | 39,173            |
| Exchange alignment                                 | (603)                                 | –                             | –                                        | –                                               | (603)             |
| At 31 December 2016                                | 51,406                                | 440                           | 329                                      | 1,670                                           | 53,845            |
| <b>Accumulated depreciation<br/>and impairment</b> |                                       |                               |                                          |                                                 |                   |
| At 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 and 1 January 2016             | 3,046                                 | 297                           | 130                                      | 1,062                                           | 4,535             |
| Charge for the year                                | 1,220                                 | 114                           | 45                                       | 421                                             | 1,800             |
| Exchange alignment                                 | (30)                                  | –                             | –                                        | –                                               | (30)              |
| At 31 December 2016                                | 4,236                                 | 411                           | 175                                      | 1,483                                           | 6,305             |
| <b>Carrying amount:</b>                            |                                       |                               |                                          |                                                 |                   |
| <b>At 31 December 2016</b>                         | <b>47,170</b>                         | <b>29</b>                     | <b>154</b>                               | <b>187</b>                                      | <b>47,540</b>     |
| At 31 December 2015                                | 9,964                                 | 143                           | 53                                       | 580                                             | 10,740            |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 17. INTANGIBLE ASSETS

|                                                 | <b>Funeral<br/>Parlour<br/>Licence and<br/>Undertaker's<br/>Licence</b><br>HK\$'000<br>(Note (i)) | <b>Sub-<br/>contracting<br/>Agreement</b><br>HK\$'000<br>(Note (ii)) | <b>Money<br/>Lender<br/>Licence</b><br>HK\$'000<br>(Note (iii)) | <b>Total</b><br>HK\$'000 |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------------------------------------|--------------------------|
| <b>Cost:</b>                                    |                                                                                                   |                                                                      |                                                                 |                          |
| At 1 January 2015                               | 6,000                                                                                             | 82,180                                                               | 5,275                                                           | 93,455                   |
| Exchange alignment                              | –                                                                                                 | (3,114)                                                              | –                                                               | (3,114)                  |
| At 31 December 2015 and 1 January 2016          | 6,000                                                                                             | 79,066                                                               | 5,275                                                           | 90,341                   |
| Exchange alignment                              | –                                                                                                 | (4,933)                                                              | –                                                               | (4,933)                  |
| At 31 December 2016                             | 6,000                                                                                             | 74,133                                                               | 5,275                                                           | 85,408                   |
| <b>Accumulated amortisation and impairment:</b> |                                                                                                   |                                                                      |                                                                 |                          |
| At 1 January 2015                               | 2,690                                                                                             | 973                                                                  | –                                                               | 3,663                    |
| Amortisation provided during the year           | –                                                                                                 | 5                                                                    | –                                                               | 5                        |
| At 31 December 2015 and 1 January 2016          | 2,690                                                                                             | 978                                                                  | –                                                               | 3,668                    |
| Impairment loss recognised                      | 3,310                                                                                             | –                                                                    | –                                                               | 3,310                    |
| At 31 December 2016                             | 6,000                                                                                             | 978                                                                  | –                                                               | 6,978                    |
| <b>Carrying amount:</b>                         |                                                                                                   |                                                                      |                                                                 |                          |
| <b>At 31 December 2016</b>                      | <b>–</b>                                                                                          | <b>73,155</b>                                                        | <b>5,275</b>                                                    | <b>78,430</b>            |
| At 31 December 2015                             | 3,310                                                                                             | 78,088                                                               | 5,275                                                           | 86,673                   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 17. INTANGIBLE ASSETS (Continued)

Notes:

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

### For the year ended 31 December 2016

During the year, the Directors of the Company decide not to renew the license of the operation of funeral parlour, hence consider the license will not generated future economic benefit in future. As a result, the Directors of the Company assessed the carrying amount of the Funeral Parlour Licence was fully impaired and an impairment loss of HK\$3,310,000 was recognised.

### For the year ended 31 December 2015

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 period. The discount rate applied was approximately 18.07%.

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

- (ii) On 15 December 2011, an indirect wholly-owned subsidiary of the Company, EMAX Venture Limited (the "Purchaser") entered into the sale and purchase agreement with Mr. Lau Chi Yan, Pierre (the "Vendor") pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital and the amount of shareholder's loan of Profit Value Group Limited (the "Target") to the Vendor at the date of completion at a total consideration of HK\$80,000,000 in cash (the "consideration") (collectively refer as the "Acquisition"). The acquisition was completed on 10 April 2013. The Sub-contracting Agreement represents the agreement entered into between 明德堂貿易(深圳)有限公司 (transliterated as "Ming De Tang Trading (Shenzhen) Limited Company"), an wholly-owned subsidiary of the Target incorporated in the PRC, and 惠東縣華僑墓園管理公司 (transliterated as "Huidong County Huaqiao Cemetery Management Company") pursuant to which Ming De Tang Trading (Shenzhen) Limited Company is the sole subcontractor of the Huidong County Huaqiao Cemetery Management Company responsible for the provision of all funeral-related services and products, and assistance necessary for the operation of a licensed commercial cemetery located at Huidong County, Huizhou City, Guangdong Province to the Huidong County Huaqiao Cemetery Management Company. The agreement has a 30 years term from 1 December 2011 to 30 November 2041. The Sub-Contracting Agreement amortised over its estimated unit of production.

Based on the estimation of the Directors, no impairment loss (2015: Nil) in respect of the Sub-contracting Agreement was recognised during the year ended 31 December 2016, 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 26-year period (2015: 27-year period). The discount rate applied was approximately 19.73% (2015: 19.23%).

- (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 (2015: 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 (2015: 5 years). The discount rate applied was approximately 11.66% (2015: 12.79%).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 18. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2016 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                                   |
|-----------------------------------------------------|---------------------------------------------------|----------------------------------------------|------------------------------------------------|---------------------------------|-------------------------------------------------------------------------------|
| Directly held:                                      |                                                   |                                              |                                                |                                 |                                                                               |
| EMAX Venture Limited                                | British Virgin Islands, limited liability company | US\$1                                        | 100%                                           | 100%                            | Investment holdings, Hong Kong                                                |
| General Asia Holdings Limited                       | British Virgin Islands, limited liability company | US\$1                                        | 100%                                           | 100%                            | Investment holdings, Hong Kong                                                |
| Elite Finance Global Limited                        | British Virgin Islands, limited liability company | US\$1                                        | 100%                                           | 100%                            | Investment holdings, Hong Kong                                                |
| Earn Fine Limited                                   | British Virgin Islands, limited liability company | US\$1                                        | 100%                                           | 100%                            | Investment holdings, Hong Kong                                                |
| Merit Vision Holdings Limited                       | British Virgin Islands, limited liability company | US\$1                                        | 100%                                           | 100%                            | Provision of funeral services and sale of funeral related products, Hong Kong |
| Indirectly held:                                    |                                                   |                                              |                                                |                                 |                                                                               |
| Able Profit (Hong Kong) Limited                     | Hong Kong, limited liability company              | HK\$1                                        | 100%                                           | 100%                            | Provision of funeral services and sale of funeral related products, Hong Kong |
| South China Memorial Park & Funeral Service Limited | Hong Kong, limited liability company              | HK\$10,000                                   | 60%                                            | 60%                             | Provision of funeral service and sale of funeral related products, Hong Kong  |
| Most Fame (China) Limited                           | Hong Kong, limited liability company              | HK\$1                                        | 100%                                           | 100%                            | Investment holdings, Hong Kong                                                |
| Profit Value Group Limited                          | British Virgin Islands, limited liability company | US\$1                                        | 100%                                           | 100%                            | Investment holdings, Hong Kong                                                |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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                                |
|-------------------------------------------------|-------------------------------------------------|----------------------------------------------|------------------------------------------------|---------------------------------|----------------------------------------------------------------------------|
| Indirectly held: (Continued)                    |                                                 |                                              |                                                |                                 |                                                                            |
| The Shrine of Nansha Limited                    | Hong Kong, limited liability company            | HK\$1                                        | 100%                                           | 100%                            | Investment holdings, Hong Kong                                             |
| Ming De Tang Trading (ShenZhen) Limited Company | the PRC, limited liability company              | HK\$1,000,000                                | 100%                                           | 100%                            | Provision of funeral service and sale of funeral related products, the PRC |
| Able Wealthy (China) Limited                    | Hong Kong, limited liability company            | HK\$1                                        | 100%                                           | 100%                            | Investment, Hong Kong                                                      |
| Join Wealth Finance (Hong Kong) Limited         | Hong Kong, limited liability company            | HK\$1                                        | 100%                                           | 100%                            | Loan financing business, Hong Kong                                         |

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.

The subsidiaries had no debt securities outstanding at the end of the reporting period or at any time during the year.

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

| Name of subsidiary                                  | Loss attributable to non-controlling interests |                  | Accumulated non-controlling interests |                  | Percentage of equity interest held by non-controlling interests |           |
|-----------------------------------------------------|------------------------------------------------|------------------|---------------------------------------|------------------|-----------------------------------------------------------------|-----------|
|                                                     | 2016<br>HK\$'000                               | 2015<br>HK\$'000 | 2016<br>HK\$'000                      | 2015<br>HK\$'000 | 2016<br>%                                                       | 2015<br>% |
| South China Memorial Park & Funeral Service Limited | (4,553)                                        | (1,138)          | (20,695)                              | (16,142)         | 40                                                              | 40        |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 18. PARTICULARS OF SUBSIDIARIES (Continued)

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intra-group eliminations.

#### South China Memorial Park & Funeral Service Limited

|                                                        | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--------------------------------------------------------|------------------|------------------|
| Current assets                                         | 25,660           | 35,503           |
| Non-current assets                                     | 304              | 4,826            |
| Current liabilities                                    | (77,700)         | (80,653)         |
| Non-current liabilities                                | –                | (30)             |
| Equity attributable to owners of the company           | (51,736)         | (40,354)         |
| Revenue                                                | 76,841           | 78,090           |
| Expenses                                               | (88,223)         | (80,934)         |
| Loss for the year                                      | (11,382)         | (2,844)          |
| Total comprehensive loss for the year                  | (11,382)         | (2,844)          |
| Net cash (used in)/generated from operating activities | (13,511)         | 2,801            |
| Net cash generated from/(used in) investing activities | 14,652           | (218)            |
| Net cash used in financing activities                  | (559)            | (226)            |
| Net increase/(decrease) in cash and cash equivalents   | 582              | (2,357)          |

### 19. INTERESTS IN ASSOCIATES AND JOINT VENTURE

#### (a) Interests in associates

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

|                                                                                                          | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|----------------------------------------------------------------------------------------------------------|------------------|------------------|
| Cost of investment in associates, unlisted                                                               | 25,000           | 4,000            |
| Share of post-acquisition profit/(loss) and other comprehensive income/(loss), net of dividends received | 37               | (685)            |
| Impairment loss recognised                                                                               | –                | (3,315)          |
|                                                                                                          | 25,037           | –                |
| Amount due from an associate                                                                             | –                | 3,000            |
| Impairment loss recognised                                                                               | –                | (3,000)          |
|                                                                                                          | –                | –                |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### (a) Interests in associates (Continued)

Impairment assessment of investment in associates:

For the year ended 31 December 2016

The Directors of the Company consider there was no indication of impairment in respect of the interests in associates, no impairment loss will be charged against the carrying amount of interests in associates for the year ended 31 December 2016.

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 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.

| 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 |
|-----------------------------------------------------|---------------------------------------------------|----------------------------------------------|------------------------------------------------|------|---------------------------------|------|---------------------------------------------|
|                                                     |                                                   |                                              | 2016                                           | 2015 | 2016                            | 2015 |                                             |
| Miracle Power Limited and its subsidiary (Note (i)) | British Virgin Islands, limited liability company | US\$50,000                                   | -                                              | 25%  | -                               | 25%  | Investment holding, Hong Kong               |
| Yat Ho Group Limited (Note (ii))                    | Hong Kong, limited liability company              | HK\$10,000                                   | 45%                                            | -    | 45%                             | -    | Provision of catering services, Hong Kong   |

Note:

- (i) Miracle Power Limited was acquired by the Group on 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 Miracle Power Limited was dissolved during year ended 31 December 2016.
- (ii) Yat Ho Group Limited was acquired by the Group on 30 September 2016. It primary engaged in provision of catering services in Hong Kong. On 24 March 2017, the Group disposed Yat Ho Group Limited at consideration of HK\$25,000,000.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

#### (a) Interests in associates *(Continued)*

Miracle Power Limited and its subsidiary

|                                                                    | 2015<br>HK\$'000 |
|--------------------------------------------------------------------|------------------|
| Current assets                                                     | 1,613            |
| Current liabilities                                                | (5,260)          |
| Net liabilities                                                    | (3,647)          |
| The above amounts of assets and liabilities include the following: |                  |
| Cash and cash equivalents                                          | 221              |
| Turnover                                                           | 5,659            |
| Loss for the year                                                  | (2,620)          |
| Other comprehensive loss for the year                              | -                |
| Total comprehensive loss for the year                              | (2,620)          |
| Dividend received from the associate during the year               | -                |

Yat Ho Group Limited

|                                                                    | 2016<br>HK\$'000 |
|--------------------------------------------------------------------|------------------|
| Current assets                                                     | 879              |
| Non-current assets                                                 | 811              |
| Current liabilities                                                | (2,193)          |
| Net liabilities                                                    | (503)            |
| The above amounts of assets and liabilities include the following: |                  |
| Cash and cash equivalents                                          | 105              |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### (a) Interests in associates (Continued)

|                                                      | For the<br>period from<br>9/30/2016<br>to<br>12/31/2016<br>HK\$'000 |
|------------------------------------------------------|---------------------------------------------------------------------|
| Turnover                                             | 2,135                                                               |
| Profit for the period                                | 81                                                                  |
| Total comprehensive income for the year              | 81                                                                  |
| Dividend received from the associate during the year | –                                                                   |

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

|                                                            | 2016<br>HK\$'000 |
|------------------------------------------------------------|------------------|
| Net liabilities of associates                              | (503)            |
| Proportion of the Group's ownership interest in associates | 45%              |
| Goodwill                                                   | 25,263           |
| Carrying amount of the group's interest in associates      | 25,037           |

### (b) Interest in a joint venture

|                                                                                           | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-------------------------------------------------------------------------------------------|------------------|------------------|
| Cost of investments in joint venture, unlisted:                                           | 28,667           | 26,417           |
| Share of post-acquisition loss and other comprehensive loss,<br>net of dividends received | (6,200)          | (3,538)          |
|                                                                                           | 22,467           | 22,879           |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

#### (b) Interest in a joint venture (Continued)

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.

|                                                                      | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|----------------------------------------------------------------------|------------------|------------------|
| Current assets                                                       | 4,396            | 3,309            |
| Non-current assets                                                   | 30,339           | 32,588           |
| Current liabilities                                                  | (170)            | (699)            |
| Net assets                                                           | 34,565           | 35,198           |
| The above amounts of assets and liabilities including the following: |                  |                  |
| Cash and cash equivalents                                            | 42               | 20               |

|                                       | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---------------------------------------|------------------|------------------|
| Loss for the year                     | (1,800)          | (1,818)          |
| Other comprehensive loss for the year | (2,295)          | (230)            |
| Total comprehensive loss for the year | (4,095)          | (2,048)          |

The comprehensive loss for the year include the following:

|                             | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-----------------------------|------------------|------------------|
| Amortisation of prepayments | 987              | 1,049            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### (b) Interest in a joint venture *(Continued)*

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

|                                                               | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---------------------------------------------------------------|------------------|------------------|
| Net assets of joint venture                                   | 34,565           | 35,198           |
| Proportion of the Group's ownership interest in joint venture | 65%              | 65%              |
| Carrying amount of the Group's interest in joint venture      | 22,467           | 22,879           |

## 20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|                                     | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-------------------------------------|------------------|------------------|
| Equity securities at fair value:    |                  |                  |
| Listed outside Hong Kong (Note (a)) | 55               | 55               |

Note:

- (a) As at 31 December 2016, the Group held 100,000 shares (2015: 100,000 shares) in Network CN Inc. ("NCN"), which is a US based publicly traded company, listed on the Over the Counter Bulletin Board market ("OTCBB") under the symbol of 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 ended 31 December 2015, 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, of which impairment loss of HK\$1,115,000 was reclassified from other comprehensive income to the statement of profit or loss for the year.

## 21. LONG-TERM PREPAYMENTS

|                                           | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-------------------------------------------|------------------|------------------|
| Prepayments in relation to occupation fee | 191,750          | –                |
| Less: Amount shown under current assets   | (39,000)         | –                |
|                                           | 152,750          | –                |

The amounts represent the occupation fee prepayment of HK\$191,750,000 for leasing the funeral parlour of Kowloon Funeral Parlour Company Limited from 1 December 2016 to 30 November 2021.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 22. LOAN RECEIVABLES

|                                                  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--------------------------------------------------|------------------|------------------|
| Loan receivables denominated in Hong Kong dollar | 86,123           | 37,614           |
| Less: Provision for impairment loss              | (634)            | (1,436)          |
|                                                  | <b>85,489</b>    | 36,178           |
| Carrying amount analysed for reporting purpose:  |                  |                  |
| Current assets                                   | 77,178           | 29,174           |
| Non-current assets                               | 8,311            | 7,004            |
|                                                  | <b>85,489</b>    | 36,178           |

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.

Loan amount of approximately HK\$3,698,000 as at 31 December 2016 (2015: Nil) was secured by pledged properties with fair value of approximately HK\$24,158,000.

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

|                                      | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--------------------------------------|------------------|------------------|
| Balance at the beginning of the year | 1,436            | 118              |
| Written off during the year          | (1,049)          | -                |
| Charge for the year (Note 9)         | 247              | 1,318            |
| Balance at the end of the year       | <b>634</b>       | 1,436            |

At each of the reporting date, the Group's loan receivables were individually determined for any impairment. The Group encountered difficulties in collection of certain loan receivables and appropriate provision for impairment has been made against these loan receivables. 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 recognised. Included in the above provision for impairment is a provision for individually impaired short term loans receivables of approximately HK\$247,000 (2015: HK\$1,318,000) with a gross carrying amount of approximately HK\$634,000 (2015: HK\$1,436,000). The individually impaired short term loan receivables relate to customers that were in default or delinquency in repayments.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables 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 loan receivables with a carrying amount of approximately HK\$85,489,000(2015: HK\$36,178,000) which are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable. These loan receivables that were neither individually nor collectively considered to be impaired relate to a number of borrowers for whom there was no recent history default.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 23. INVENTORIES

|                | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|----------------|------------------|------------------|
| Finished goods | 10,396           | 128              |

As at 31 December 2016, no inventories of the Group were carried at net realisable value (2015: Nil).

## 24. TRADE RECEIVABLES

The average credit period on sales of goods is 30 days (2015: 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.

|                                                         | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---------------------------------------------------------|------------------|------------------|
| Trade receivables                                       | 894              | 909              |
| Less: Provision for impairment loss of trade receivable | (894)            | (677)            |
|                                                         | -                | 232              |

As at 31 December 2016, the Group's trade receivables of approximately HK\$894,000 (2015: 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:

|               | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---------------|------------------|------------------|
| Over 180 days | -                | 232              |
|               | -                | 232              |

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. PROMISSORY NOTE RECEIVABLE

During the year ended 31 December 2016, the Company hold a promissory note with principal amount of HK\$32,000,000 (2015: Nil), which bear interest of 12% per annum. The maturity date was on 6 March 2017. On 6 March 2017, the promissory note receivable was extended to 6 September 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                                         | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-----------------------------------------|------------------|------------------|
| Held for trading:                       |                  |                  |
| – Listed equity securities in Hong Kong | 9,611            | –                |

The fair value of listed securities in Hong Kong is determined based on quoted market bid price available on The Stock Exchange of Hong Kong Limited.

### 27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|                                                                 | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-----------------------------------------------------------------|------------------|------------------|
| Prepayments (Note (a))                                          | 44,667           | 531              |
| Other deposits and receivables (Note (b))                       | 16,884           | 47,000           |
| Consideration receivable on disposal of subsidiaries (Note (c)) | 53,208           | 54,448           |
|                                                                 | <b>114,759</b>   | 101,979          |

Note:

- (a) As at 31 December 2016, the prepayments mainly represents current portion occupation fee prepayment of HK\$39,000,000 for leasing the funeral parlour of Kowloon Funeral Parlour Company (Note 21).
- (b) As at 31 December 2015, other receivables of the Group mainly represents refundable deposit of amount to HK\$38,000,000 for proposed acquisition of Solaron Limited and its subsidiaries, named as Kowloon Funeral Parlour Company Limited.
- (c) The term of repayment was extended during the year ended 31 December 2016. The Directors of the Company considered the amount was recoverable.

### 28. PLEDGED BANK DEPOSITS

As at 31 December 2016, The Group's bank deposits of approximately HK\$14,716,000 (2015: HK\$29,239,000) 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.

### 29. CASH AND BANK BALANCES

|                        | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|------------------------|------------------|------------------|
| Cash and bank balances | 55,089           | 10,070           |

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately HK\$28,000 (2015: HK\$ 1,690,000). 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 2016

## 30. TRADE PAYABLES

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

|              | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--------------|------------------|------------------|
| 0-30 days    | 208              | 141              |
| 31-60 days   | –                | –                |
| Over 60 days | 112              | 120              |
|              | <b>320</b>       | 261              |

## 31. BORROWINGS

|                                                   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---------------------------------------------------|------------------|------------------|
| Unsecured (note (i))                              | 168,529          | 172,754          |
| Carrying amount repayable:                        |                  |                  |
| Within one year                                   | 121,888          | 83,031           |
| More than one year, but not exceeding two years   | 28,281           | 50,740           |
| More than two years, but not exceeding five years | 7,021            | 9,107            |
| More than five years                              | 11,339           | 29,876           |
|                                                   | <b>168,529</b>   | 172,754          |
| Less: Amount shown under current liabilities      | <b>(121,888)</b> | (83,031)         |
|                                                   | <b>46,641</b>    | 89,723           |

Notes:

- (i) As at 31 December 2016, the Group's borrowings carried effective interest rate of 7.05% to 27.06% per annum (2015: 3.13% to 41.69% per annum).
- (ii) The amount of borrowings represent the loans from several independent third parties.
- (iii) The amount was recognised after net of borrowing cost, commission of approximately HK\$21,667,000 (2015: HK\$11,342,000) and prepaid interest of approximately HK\$23,042,000 (2015: HK\$2,400,000).

## 32. OTHER PAYABLES AND ACCRUALS

|                 | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-----------------|------------------|------------------|
| Other payables  | 9,033            | 3,760            |
| Accruals (Note) | 11,994           | 8,481            |
|                 | <b>21,027</b>    | 12,241           |

Note:

Accruals mainly represents the accrued interests of HK\$5,179,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 33. SHARE CAPITAL

### Ordinary shares

|                                                                        | Par<br>value<br>HK\$ | Number<br>of shares<br>'000 | Share<br>capital<br>HK\$'000 |
|------------------------------------------------------------------------|----------------------|-----------------------------|------------------------------|
| <b>Authorised:</b>                                                     |                      |                             |                              |
| Ordinary shares at 1 January 2015,<br>31 December 2015, 1 January 2016 | 0.1                  | 5,000,000                   | 500,000                      |
| Increase of authorised share capital (Note(i))                         | 0.1                  | 5,000,000                   | 500,000                      |
| Share consolidation (Note (iv))                                        |                      | (9,000,000)                 | –                            |
| At 31 December 2016                                                    | 1                    | 1,000,000                   | 1,000,000                    |
| <b>Issued and fully paid:</b>                                          |                      |                             |                              |
| At 1 January 2015, 31 December 2015 and 1 January 2016                 | 0.1                  | 354,892                     | 35,489                       |
| Open offer (Note (ii))                                                 | 0.1                  | 3,548,921                   | 354,892                      |
| Issue of bonus shares (Note (iii))                                     | 0.1                  | 709,784                     | 70,979                       |
| Share consolidation (Note (iv))                                        |                      | (4,152,237)                 | –                            |
| At 31 December 2016                                                    | 1                    | 461,360                     | 461,360                      |

Notes:

- (i) In respect of the ordinary resolution passed by the shareholders by way of poll at the special general meeting held on 13 June 2016, the authorised share capital of the Company increased from HK\$500,000,000 to HK\$1,000,000,000.
- (ii) On 11 August 2016, the Company issued 3,548,921,200 offer shares ("Offer Shares") under open offer (the "Open Offer") at HK\$0.12 each to qualified shareholders.
- (iii) In respect of the Open Offer, an aggregate of 709,784,240 bonus shares issued (no additional payment) to the qualified shareholders of Offer Shares on the basis of one bonus share for every five Offer Shares issued under the Open Offer.
- (iv) On 11 August 2016, the Company implemented share consolidation on the basis that every ten shares of HK\$0.1 each into one consolidated share of HK\$1 each.

### Share options

Details of the Company's share option scheme are included in Note 34 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 34. SHARE OPTION SCHEME

### Share options *(Continued)*

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 2016 and 2015, there was no share options granted 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 (2015: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 35. 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 36 of the consolidated financial statements.

### (i) Contributed surplus

The Group's contributed surplus as at 31 December 2016 represents the amount of HK\$368,178,000 transfer from share capital due to a capital reduction in the year ended 31 December 2001 and cancellation of share account during year ended 31 December 2016.

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

To facilitate the issue of the Bonus Shares, the Board cancel all amounts standing to the credit of the share premium account of the Company and to transfer all the credit arising from such cancellation to the contributed surplus account of the Company. The cancellation of the credit of the share premium account and transfer of the amount to the contributed surplus account was passed at the special general meeting held on 13 June 2016.

### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 36. 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 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

|                                         | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-----------------------------------------|------------------|------------------|
| Within one year                         | 14,444           | 56,113           |
| In the second to fifth years, inclusive | 116              | 14,038           |
|                                         | <b>14,560</b>    | 70,151           |

## 37. 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:

|                                                     | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-----------------------------------------------------|------------------|------------------|
| Short term employee benefits                        | 2,071            | 2,063            |
| Pension scheme contribution                         | 127              | 85               |
| Total compensation paid to key management personnel | <b>2,198</b>     | 2,148            |

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

## 38. CAPITAL COMMITMENT

Capital commitments outstanding at 31 December 2016, not provided for in the consolidated financial statements were as follows:

|                                                                                | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--------------------------------------------------------------------------------|------------------|------------------|
| Contracted but not provided for<br>– Purchase of property, plant and equipment | 1,858            | –                |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

|                                              | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|----------------------------------------------|------------------|------------------|
| <b>Non-current assets</b>                    |                  |                  |
| Property, plant and equipment                | 6                | 5                |
| Investment in subsidiaries                   | –                | –                |
| Available-for-sale financial assets          | 55               | 55               |
|                                              | <b>61</b>        | 60               |
| <b>Current assets</b>                        |                  |                  |
| Amount due from subsidiaries                 | 452,471          | 170,242          |
| Prepayments, deposits and other receivables  | 40,561           | 6,093            |
| Cash and bank balances                       | 50,694           | 4,668            |
|                                              | <b>543,726</b>   | 181,003          |
| <b>Current liabilities</b>                   |                  |                  |
| Borrowings                                   | 121,888          | 83,031           |
| Other payables and accruals                  | 7,986            | 9,487            |
| Amount due to a subsidiary                   | 62,798           | 61,747           |
|                                              | <b>192,672</b>   | 154,265          |
| <b>Net current assets</b>                    | <b>351,054</b>   | 26,738           |
| <b>Total assets less current liabilities</b> | <b>351,115</b>   | 26,798           |
| <b>Non-current liability</b>                 |                  |                  |
| Borrowings                                   | 46,641           | 89,723           |
| <b>Net assets/(liabilities)</b>              | <b>304,474</b>   | (62,925)         |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

|                             | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-----------------------------|------------------|------------------|
| <b>Capital and reserves</b> |                  |                  |
| Share capital               | 461,360          | 35,489           |
| Reserves                    | (156,886)        | (98,414)         |
| <b>Total equity</b>         | <b>304,474</b>   | (62,925)         |

Approved by the Board of Directors on 30 March 2017 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 2016

### 40. RESERVES OF THE COMPANY

|                                                                                                  | Share<br>premium<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Available for<br>sell securities<br>revaluation<br>reserve<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------------------------------------------------------------------------|------------------------------|------------------------------------|-----------------------------------|------------------------------------------------------------------------|-------------------|
| At 1 January 2015                                                                                | 347,887                      | 36,000                             | (438,830)                         | (410)                                                                  | (55,353)          |
| Loss for the year                                                                                | -                            | -                                  | (43,471)                          | -                                                                      | (43,471)          |
| Other comprehensive (loss)/income for the year                                                   |                              |                                    |                                   |                                                                        |                   |
| Net loss arising on revaluation of<br>available-for-sale financial assets                        | -                            | -                                  | -                                 | (705)                                                                  | (705)             |
| Reclassification adjustments relating<br>to impairment of available-for-sale<br>financial assets | -                            | -                                  | -                                 | 1,115                                                                  | 1,115             |
| Total comprehensive loss for the year                                                            | -                            | -                                  | (43,471)                          | -                                                                      | (43,471)          |
| At 31 December 2015<br>and 1 January 2016                                                        | 347,887                      | 36,000                             | (482,301)                         | -                                                                      | (98,414)          |
| Loss for the year                                                                                | -                            | -                                  | (42,763)                          | -                                                                      | (42,763)          |
| Other comprehensive income<br>for the year                                                       | -                            | -                                  | -                                 | -                                                                      | -                 |
| Total comprehensive loss for the year                                                            | -                            | -                                  | (42,763)                          | -                                                                      | (42,763)          |
| Reduction of share premium<br>and transfer to the contributed surplus                            | (347,887)                    | 347,887                            | -                                 | -                                                                      | -                 |
| Open offer                                                                                       | 70,979                       | -                                  | -                                 | -                                                                      | 70,979            |
| Transaction costs attributed to issue of shares                                                  | -                            | (15,709)                           | -                                 | -                                                                      | (15,709)          |
| Issue of bonus share                                                                             | (70,979)                     | -                                  | -                                 | -                                                                      | (70,979)          |
| <b>At 31 December 2016</b>                                                                       | <b>-</b>                     | <b>368,178</b>                     | <b>(525,064)</b>                  | <b>-</b>                                                               | <b>(156,886)</b>  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 41. DISPOSAL OF A SUBSIDIARY

On 21 December 2016, Most Fame (China) Limited, a wholly owned subsidiary of the Company sold the entire equity interest of 仁長智匯(深圳)科技有限公司 at a consideration of approximately HK\$28,000.

The disposal was completed on 21 December 2016. Net liabilities of the Disposal Group at the date of disposal were as follows:

|                                                                                | HK\$'000 |
|--------------------------------------------------------------------------------|----------|
| Cash and bank balances                                                         | 28       |
| Accruals and other payables                                                    | (66)     |
| Net liabilities disposed of                                                    | (38)     |
| Gain on disposal of a subsidiary:                                              |          |
| Consideration receivables                                                      | 28       |
| Net liabilities disposed of                                                    | 38       |
| Release of cumulative exchange difference on translation of foreign operations | (64)     |
|                                                                                | 2        |
| Net cash outflow arising on disposal:                                          |          |
| Cash consideration                                                             | –        |
| Cash and cash equivalents disposed of                                          | (28)     |
|                                                                                | (28)     |

## 42. MATERIAL EVENT AFTER THE REPORTING PERIOD

The following significant events took place subsequent to the reporting period:

- (a) Extension of the maturity date of the promissory note receivable
- On 6 March 2017, the maturity date of the promissory note receivable with principal amount of HK\$32,000,000, which bear interest of 12% per annum was extended from 6 March 2017 to 6 September 2017 (Note 25).
- (b) Proposed share sub-division
- On 17 March 2017, the Board proposes to sub-divide each existing issued and unissued share of HK\$1 each of the Company into two sub-divided shares of HK\$0.5 each. The proposed share sub-division will be subject to the ordinary resolution of the special general meeting to be held on 13 April 2017.
- (c) Disposal of the interest in Yat Ho Group Limited
- On 24 March 2017, the Group disposed the associate, Yat Ho Group Limited at consideration of HK\$25,000,000 (Note 19(a)).
- (d) Operation status of Grand Peace Funeral Parlour
- The Group's right to operate the Grand Peace Funeral Parlour will be expired on 31 March 2017.
- For further details, please refer to the Company's announcement dated 28 March 2017.
- (e) Acquisition of 75% of the equity interest of Athena Papercrafts Limited
- On 2 March 2017, the Group acquired 75% equity interests of Athena Papercrafts Limited at the consideration of HK\$3,900,000. The Directors is still in the process to determine the fair value of assets acquired.

## 43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2017.

## FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2016

|                                                                | 2016<br>HK\$'000 | 2015<br>HK\$'000 | 2014<br>HK\$'000 | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|----------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>RESULTS</b>                                                 |                  |                  |                  |                  |                  |
| Continuing operations                                          |                  |                  |                  |                  |                  |
| Turnover                                                       | 87,768           | 83,155           | 74,765           | 67,070           | 39,165           |
| Cost of sales                                                  | (66,052)         | (64,016)         | (69,237)         | (69,303)         | (42,633)         |
| Gross profit/(loss)                                            | 21,716           | 19,139           | 5,528            | (2,233)          | (3,468)          |
| Other revenue                                                  | 1,580            | 1,112            | 1,188            | 166              | 260              |
| Other net gain and loss                                        | 393              | 157              | 124              | 135              | 6,987            |
| Fair value change of financial asset<br>through profit or loss | (387)            | –                | –                | –                | –                |
| Impairment loss of intangible assets                           | (3,310)          | –                | –                | –                | –                |
| Selling and distribution costs                                 | (5,717)          | (6,452)          | (5,798)          | (5,470)          | (4,233)          |
| Administrative expenses                                        | (36,665)         | (33,851)         | (39,452)         | (32,740)         | (19,824)         |
| Change in fair value of<br>derivative financial assets         | –                | –                | (13)             | (6,441)          | –                |
| Loss from operations                                           | (22,390)         | (19,895)         | (38,423)         | (46,853)         | (20,278)         |
| Finance costs                                                  | (33,793)         | (29,802)         | (6,838)          | (16,452)         | (8,000)          |
| Share of result of associates                                  | 37               | (655)            | (30)             | –                | –                |
| Share of result of a joint venture                             | (1,170)          | (1,182)          | (1,156)          | –                | –                |
| Loss before taxation                                           | (57,316)         | (51,534)         | (46,447)         | (63,305)         | (28,278)         |
| Taxation                                                       | (936)            | (112)            | 7                | 179              | –                |
| Loss for the year from<br>continuing operations                | (58,252)         | (51,646)         | (46,440)         | (63,126)         | (28,278)         |
| Discontinued operations                                        |                  |                  |                  |                  |                  |
| Profit/(loss) for the year from<br>continuing operations       | –                | –                | –                | 29,356           | (67,955)         |
| Loss for the year                                              | (58,252)         | (51,646)         | (46,440)         | (33,770)         | (96,233)         |
| Attributable to:                                               |                  |                  |                  |                  |                  |
| Owners of the Company                                          | (53,699)         | (50,508)         | (41,782)         | (28,764)         | (80,210)         |
| Non-controlling interests                                      | (4,553)          | (1,138)          | (4,658)          | (5,006)          | (16,023)         |
|                                                                | (58,252)         | (51,646)         | (46,440)         | (33,770)         | (96,233)         |

|                               | 2016<br>HK\$'000 | 2015<br>HK\$'000 | 2014<br>HK\$'000 | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>As at 31 December</b>      |                  |                  |                  |                  |                  |
| <b>ASSETS AND LIABILITIES</b> |                  |                  |                  |                  |                  |
| Total assets                  | 648,339          | 298,173          | 288,804          | 204,183          | 377,727          |
| Total liabilities             | (191,047)        | (185,919)        | (121,536)        | (24,860)         | (162,792)        |