



Sage International Group Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
Stock Code: 8082



Memories

Annual Report
2016



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 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 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 Sage International Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Sage International Group Limited. 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 in this report misleading.



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Corporate Information

EXECUTIVE DIRECTORS

Mr. Chui Bing Sun (Chairman)
Mr. Dong Choi Chi, Alex
Mr. Yao Kan Shan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick
Mr. Ting Kit Lun

COMPANY SECRETARY

Mr. Jip Ki Chi

COMPLIANCE OFFICER

Mr. Chui Bing Sun

AUDIT COMMITTEE

Mr. Chan Wai Man (Chairman)
Mr. Siu Hi Lam, Alick
Mr. Ting Kit Lun

NOMINATION COMMITTEE

Mr. Ting Kit Lun (Chairman)
Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick
Mr. Yao Kan Shan

REMUNERATION COMMITTEE

Mr. Siu Hi Lam, Alick (Chairman)
Mr. Chan Wai Man
Mr. Ting Kit Lun

RISK MANAGEMENT COMMITTEE


Mr. Yao Kan Shan (Chairman)
Mr. Chui Bing Sun
Mr. Jip Ki Chi


AUTHORISED REPRESENTATIVES

Mr. Chui Bing Sun
Mr. Jip Ki Chi

AUDITOR

PricewaterhouseCoopers





SOLICITOR

Michael Li & Co.

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**HONG KONG BRANCH SHARE
REGISTRAR**

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PRINCIPAL BANKERS

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Chairman's Statement



I am pleased to present the Group's annual report for the financial year ended 31 December 2016.

REVIEW OF OPERATIONS

For this year, the revenue and operating scale of the funeral services segment increased steadily during the year. The segment reported a revenue of approximately HK\$16,311,000 which was 11.66% higher than the corresponding period of last year of approximately HK\$14,608,000. The increase was mainly due to the increase in sales of Eternity Gem. During the year, the new operating segment of media and entertainment has just started and the contribution from the segment was relatively small as it was in the initial stage of business. The Group's loss for the year was approximately HK\$18,214,000 (31 December 2015: loss of approximately HK\$20,202,000). The main reasons for such reduction in loss were mainly due to the reversal of provision for impairment of other receivable and increase in gross profit as compared to the corresponding period of last year.

PROSPECTS

The Group is principally engaged in the provision of deathcare services and related business in the People's Republic of China ("PRC") and Hong Kong. As disclosed in the announcement of the Company dated 26 May 2016, whilst the Group remains focused on developing its existing businesses, the Group has recently made investments in the media and entertainment industry in order to diversify the existing businesses.



Chairman's Statement

The growing momentum of the media and entertainment industry in the PRC is robust in recent year. The Group is optimistic about the industry, particularly the film right, musical, drama, online TV drama/movie, live shows and related intellectual property ("IP") trading, etc. Upon the completion of the Subscription and the Service Agreement with Mr. Chan Siu Kei ("Mr. Chan") (please refer to the circular of the Company dated 28 October 2016), the Target Company ("Black Sesame") will become an important operating arm of the Group and will mainly focusing on original musicals to create IP, collaboration with industry partners to enable the musical to further turn into online or movie properties.

In addition, Sunny Side Up (BVI) Limited ("Sunny Side Up"), a wholly owned subsidiary of the Group, was inaugurated in January 2017. Sunny Side Up's primary business focus is media and entertainment investment and production, with projects covering films, online/TV drama series, concerts and other types of commercial performance art media including artist management and retail & branding to optimise its business and development opportunities. Soon after its inauguration, Sunny Side Up has established work partnerships with various top-notch industry professionals from acclaimed directors, producers, production studios to sales agents, marketing companies, distributors and cinemas. Sunny Side Up has confirmed its participation in various projects with significant partners and prospects, for instance, the investment in film rights of 18 seconds (a Hollywood-Hong Kong co-production film by Apelles Entertainment and Bridge Picture, and Mr. Colin Wilson as the leading Producer) and the "Paradox" (starring Louis KOO Tin-Lok, LAM Ka-Tung, Tony JAA, WU Yue and Chris COLLINS, please refer to the announcement of the Company dated 24 January 2017).

The Board believes that the formation of Black Sesame and Sunny Side Up can enhance the Group's presence in the media and entertainment industry and complement the Group's business projects in the long run, enabling further collaborations with potential and existing business partners.

For the existing deathcare business, the Company will allocate more resources on developing the Sage Eternity Gem ("EGEM") business since the sales of EGEM had increased significantly in the current year. At the same time, the Company will streamline its operational workflow to reduce cost and hence increase its efficiency and profitability.

Lastly, I would like to thank our shareholders, customers, business associates and other relevant authorities for their support. My appreciation also goes to the management team and all the employees for their dedication, support and loyalty to the Group.

Chui Bing Sun
Chairman

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and gross profits – Continuing operations

For the year ended 31 December 2016, the total revenue of continuing operations (which mainly consists of the funeral services and media and entertainment business) was approximately HK\$16,287,000 which was 11.49% higher than the corresponding period of last year of approximately HK\$14,608,000. The increase was mainly due to the increase in sales of Eternity Gem (“EGEM”).

Gross profits increased from approximately HK\$8,347,000 to approximately HK\$9,989,000. The overall gross profit margin of the continuing operations for the year ended 31 December 2016 was approximately 61.33% and increase slightly as compared with the corresponding period of last year of approximately 57.14%.

Other Income – Continuing operations

Other income increased from approximately HK\$1,124,000 to approximately HK\$5,173,000. The increase was mainly due to the reversal of provision for impairment of other receivable.

Sales and marketing expenses – Continuing operations

Sales and marketing expenses of continuing operations for the year ended 31 December 2016 was approximately HK\$3,938,000, being 24.18% of turnover and was decreased as compared with the corresponding period of last year of approximately HK\$4,001,000, being 27.39% of turnover.

Administrative expenses – Continuing operations

Administrative expenses of the continuing operations for the year ended 31 December 2016 amounted to approximately HK\$29,147,000 which was in line with the corresponding period of last year of approximately HK\$28,558,000.

Finance costs – Continuing operations

Finance costs of the continuing operations for year ended 31 December 2016 was nil which was 100% less than the corresponding period of last year of approximately HK\$796,000. The decrease in the finance costs was a result of the pay off of all interest bearing debts by funding raised from the open offer and the placing in February 2015.

Loss for the year from continuing operations

Loss for the year ended 31 December 2016 from continuing operations amounted to approximately HK\$18,214,000 (31 December 2015: loss of approximately HK\$24,357,000).

Profit for the year from discontinued operations

No contribution had been derived from discontinued operations for the year ended 31 December 2016 (31 December 2015: profit of HK\$4,155,000). The Group had disposed of the cemetery business in the year 2015.

Loss for the year

The Group's loss for the year was approximately HK\$18,214,000 (31 December 2015: loss of approximately HK\$20,202,000). The main reasons for such reduction in loss were mainly due to the reversal of provision for impairment of other receivable and increase in gross profit as compared to the corresponding period of last year.

OPERATION REVIEW

OPERATION REVIEW – HONG KONG

Funeral services and Eternity Gem

During the year ended 31 December 2016, the Group's Hong Kong funeral services recorded a revenue of approximately HK\$7,864,000 which was 29.04% higher than that of the corresponding period of approximately HK\$6,094,000 in 2015. During the year, revenues were mainly generated from sales of funeral packages, provision of management service and sales of the EGEM products, which transforms the cremated ash into durable memorial gem stone. The revenue from sales of funeral packages for the year ended 31 December 2016 was approximately HK\$3,190,000, which was 15.85% lower than that the corresponding period of last year of approximately HK\$3,791,000. The revenue from provision of management service for the year ended 31 December 2016 was approximately HK\$1,800,000, which was 71.92% higher than that the corresponding period of last year of approximately HK\$1,047,000.



Management Discussion and Analysis

EGEM gained popularity during the year and sales of EGEM increased 128.82% to approximately HK\$2,874,000 as compared with that of corresponding period of last year of approximately HK\$1,256,000) during the period as a result of exhibition, promotion programmes, cooperation with major local and overseas funeral service providers and pet shops. Following the recent government's new proposed policy on regulating columbarium in Hong Kong, preserving human ashes into gemstones will become more and more popular. Therefore, the Group believes that green burial will be a popular alternative to traditional burial for memorial of beloved one.

Media and entertainment business

The new operating segment of media and entertainment has just started in the mid of 2016 which recorded a segment loss of approximately HK\$3,836,000 for the year ended 31 December 2016 (year ended 31 December 2015: nil). The segment loss was mainly attributable to the one off non-cash item of share based payment of approximately HK\$3,001,000 in relation to shares issued to Keith Productions Limited during the year.

OPERATION REVIEW – CHINA

Funeral services and crematorium

Huaiji funeral parlour

Cremation business operation in Huaiji was performing steadily during the year ended 31 December 2016 and revenue during the year was approximately HK\$8,447,000, almost in line with last year corresponding period of approximately HK\$8,514,000. In order to maintain a high quality of service, the Group had improved the repair and maintenance works during the year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group has cash, cash equivalents and restricted cash of approximately HK\$22,615,000 (as at 31 December 2015: HK\$34,973,000) and the total assets of the Group were HK\$65,927,000 (as at 31 December 2015: HK\$60,408,000). The net current assets of the Group were approximately HK\$15,765,000 (as at 31 December 2015: HK\$26,445,000) and the Group's current ratio, which represents the current assets over its current liabilities, was approximately 2.23 times (as at 31 December 2015: 3.36 times). The gearing ratio of the Group as at 31 December 2016 (calculated by the total liabilities of HK\$17,566,000 over equity attributable to the owners of the Company of HK\$41,489,000) is 42.34% (31 December 2015: 38.49%).

PLACING OF NEW SHARES

- On 26 May 2016, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place, on a best efforts basis, the Placing Shares comprising in aggregate 138,000,000 new Shares at the Placing Price of HK\$0.14 per Placing Share on behalf of the Company to not fewer than six Placees who and whose ultimate beneficial owners are Independent Third Parties. The Placing was subject to the conditions set out in the Placing Agreement. On 5 June 2016, 138,000,000 Placing shares were allotted and issued by the Company, pursuant to the Placing Agreement.

The net proceeds arising from the Placing amounted to approximately HK\$18,810,000, net of expenses, which were used to develop the new business unit for the media and entertainment industry.

For further details of the Share Placing, please refer to the Company's announcements dated 26 May 2016 and 8 June 2016 respectively.



Management Discussion and Analysis

2. On 8 March 2017, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place, on a best efforts basis, the Placing Shares comprising in aggregate 165,000,000 new Shares at the Placing Price of HK\$0.16 per Placing Share on behalf of the Company to not fewer than six Placees who and whose ultimate beneficial owners are Independent Third Parties. The Placing was subject to the conditions set out in Placing Agreement. On 24 March 2017, 165,000,000 Placing shares were allotted and issued by the Company pursuant to the Placing Agreement.

The net proceeds arising from the Placing amounted to approximately HK\$25,506,000 net of expense, which were used to develop the business segment for media and entertainment industry.

For further details of the Share Placing, please refer to the Company's announcements dated 8 March 2017 and 24 March 2017 respectively.

INVESTMENT POSITION AND PLANNING

The Group will continuously undertake research and identify potential deathcare related and media and entertainment business investment opportunities to enhance its investment portfolio.

INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

As per announcement of the Company dated 19 August 2016, on 19 November 2016, Winning Spotlight Limited, a direct wholly owned subsidiary of the Company, as subscriber, and Black Sesame Entertainment Co. Limited ("Black Sesame"), as the issuer, entered into the Subscription Agreement, pursuant to which Winning Spotlight Limited has conditionally agreed to subscribe for, and Black Sesame has conditionally agreed to allot and issue, the Subscription Shares, representing 70% of the total number of shares of the Black Sesame in issue upon completion of the Subscription, at the aggregate Subscription Price of HK\$7,000,000.

Black Sesame is principally engaged in the business of production of drama and musical performance (including musicals and live shows), artist management and music intellectual property rights management, and the ancillary marketing matters.

The Subscription has been completed in November 2016, the Group now holds 70% of the equity interest in Black Sesame, which is a subsidiary of the Company.

Save as disclosed above, there were no other significant investments held, no material acquisitions or disposals of subsidiaries during the year.

CURRENCY RISK EXPOSURE

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group currently does not have a foreign currency policy to hedge its currency exposure arising from the net assets of the Group's foreign operations. Otherwise, the Group had no material exposure to foreign exchange risk as majority of the Group's assets were denominated in its functional currency of either Hong Kong Dollars or Renminbi.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had 61 employees and including Directors (31 December 2015: 61). Total staff costs for the year ended 31 December 2016, including Directors' remuneration, amounted to approximately HK\$11,150,000 (31 December 2015: approximately HK\$10,054,000). The Group's employees remuneration packages are mainly on the basis of individual performance and experience and also having industry practice, which include basic wages and performance related bonuses. The Group also provides provident fund schemes and medical insurance scheme for its employees. The Company also grants share options to the Directors and eligible employees. Details the Share Options Scheme are set out in note 27 to the consolidated financial statements.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

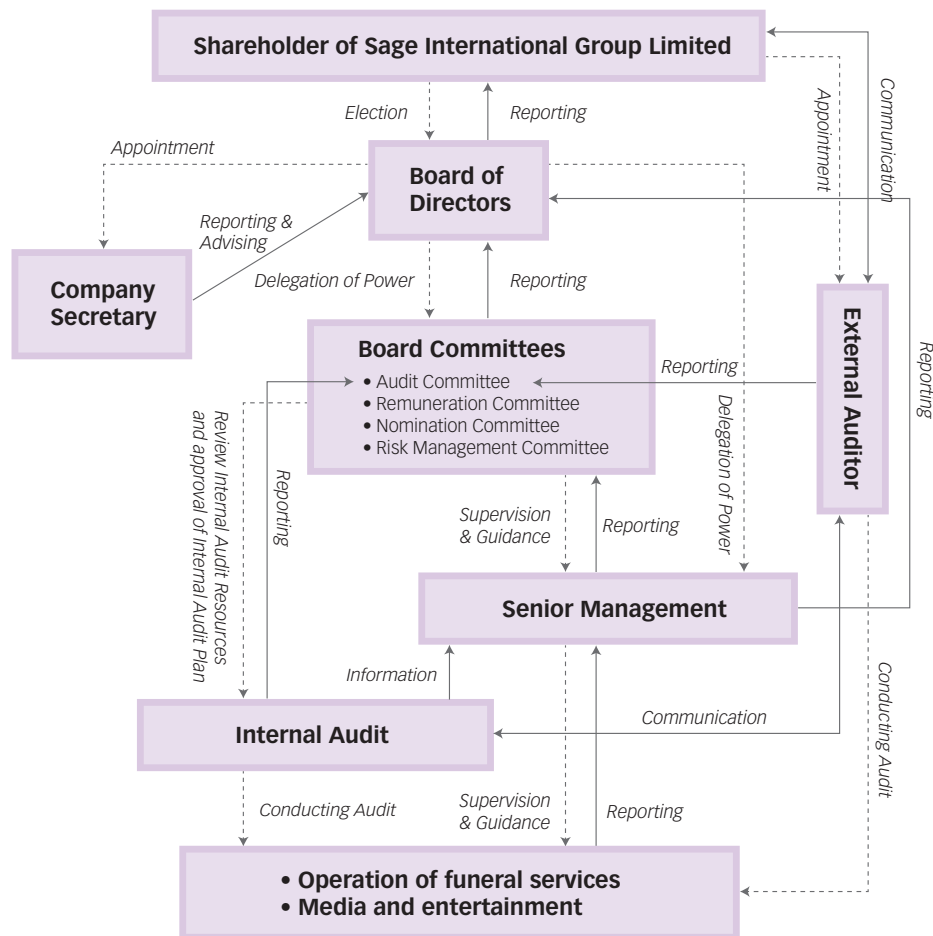
There were no charges on the Group's assets and the Group did not have any significant contingent liabilities for the year ended 31 December 2016.

Corporate Governance Report

Sage International Group Limited (the "Company") acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving a high standard of corporate governance that can properly protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company.

THE COMMITMENT AND COMPLIANCE OF THE COMPANY

Set out below is current corporate governance framework of the Group:



Comprehensive guidelines, policies and procedures including the corporate governance statement of policy, code of conduct regarding securities transactions of directors and employees, director appointment policy, the terms of reference for board committees, board diversity policy and shareholders communication policy have been formulated by the Board to support the Company's corporate governance framework. These policies and procedures enable the Company to follow and apply the principles of the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 15 to the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). These documents are reviewed regularly by the Board and the relevant board committees and are updated in line with the revised applicable legislations and rules as well as the current market practices.

The Company also maintains an employee handbook providing guidance to employees on matters such as ethical standards, business conduct, employees conduct and reporting any misconduct within the Group. Through the establishment of a performance charter for the management and appropriate appraisal mechanisms, the Company has been able to align the interests of the management and all the staff with the growth and performance of the Company. The Company pays particular attention to the establishment of an optimal corporate culture. With the support of all staff, the Company has identified, formulated and implemented a corporate culture that is considered appropriate for its special circumstances, thereby ensuring that good corporate governance is maintained at all levels and at all times within the Company. In addition to comply with applicable statutory requirements, the Company aims to continually review and enhance its corporate governance practices in light of local and international best practices.

Corporate Governance Report

During the year, in accordance with the amendments to the GEM Listing Rules relating to the risk management and internal control which, inter alia, require the board to oversee the same on an ongoing basis, the Group has set up a Risk Management Committee to monitor and assess risks regularly, boots related management standards and evaluate investment projects to ensure an effective system of risk management be maintained to safeguard the Company's assets and the Shareholders' interests. Save as the deviation from the code provision A.2.1, separation of roles Chairman and Chief Executive Officer pursuant to code provision A.2.1 as disclosed in the section "Chairman and Chief Executive", the Company has met all the code provisions in the CG Code during the year ended 31 December 2016.

THE BOARD

The Board comprises three executive Directors, including the Chairman of the Board, and three independent non-executive Directors. Each of the Directors has the relevant experience, competence and skills appropriate to the requirements of the business of the Company. The names of independent non-executive Directors are expressly identified and disclosed in all corporate communications of the Company. Independent non-executive Directors are invited to serve on the Audit, Nomination and Remuneration Committees of the Company. None of the members of the Board is related to one another. For the year ended 31 December 2016, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors. The composition of the Board reflects the necessary balanced skills and experience for effective leadership. The profiles of each Director are set out in the "Biographical Details of Directors and Senior Management" section in this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Chui Bing Sun currently holds the offices of Chairman and Chief Executive Officer ("CEO") of the Company. The Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Company will, from time to time, review the effectiveness of the Company's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and CEO, are necessary.

In order to discharge the duties, all Directors are entitled to seek independent professional advice, if necessary, at the Company's expense and Directors and Officers Liability Insurance cover was arranged and subject to annual review. The overall management of the Company's business is vested in the Board. The Board is responsible for overseeing all major matters of the Company which include formulating and approving the Company's operational strategies, management policies, internal control and risk management systems, reviewing the Company's policies and practices on corporate governance, setting the objectives and targets with a view to enhance the Shareholders' value for the management, monitoring performance of the management and providing guidance to the management. The Directors have to make decisions objectively in the interests of the Company. The Board is accountable to the Shareholders, in a responsible and effective manner leading the Company. The day-to-day management, administration and operation of the Company are delegated to the senior management of the Company which includes evaluating businesses and operational performance, ensuring effective implementation of the Board's decisions, ensuring adequate funding and monitoring performance of the management of the Company. The senior management of the Company is being closely monitored by the Board and is accountable for the performance of the Company as measured against the business targets and management directions set by the Board.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has established written guidelines for the required standard of dealings in securities by directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of Directors of the Company and the Directors confirmed that they have fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliance during the year.

BOARD COMMITTEE

The Board delegates its power and authorities from time to time to the Board Committees in order to ensure the operational efficiency and specific issues are being handled by relevant expert. The Board currently has four Board Committees, namely, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee with respective terms of reference which clearly defined its authorities and duties. The terms of reference of Audit Committee, Remuneration Committee and Nomination Committee are available on the website of each of the Stock Exchange.

Corporate Governance Report

The chairman of the Board Committees report regularly to the Board of their work, findings and recommendations. All Board Committees are provided with accurate and sufficient information in timely manner so as to enable the Board Committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties and may have access to external professional advice, if necessary, at the Company's expense.

AUDIT COMMITTEE

Members	Three independent non-executive Directors, namely Mr. Chan Wai Man (committee chairman), Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun
Major responsibilities	<ul style="list-style-type: none"> • reviewing the accounting policies and supervising the Company's financial reporting process; • reviewing and monitoring the integrity of consolidated financial statements and the annual report, interim report and quarterly reports; • monitoring the effectiveness of financial controls, internal control and risk management systems; • considering and recommending the appointment, re-appointment and removal of external auditors of the Company; and • acting as the key representative body responsible to oversee the relationship between the Company and the external auditor, include the relationships involving the provision of non-audit services.
Major work performed during the year 2016	<ul style="list-style-type: none"> • reviewing and making recommendations for the Group's annual, interim and quarterly financial statements and the related results announcements; • reviewing the report of external auditor; • reviewing the effectiveness of risk management and internal control system; • reviewing the internal audit planning for the year 2017 and external audit planning for the year ended 31st December 2016 • discussing the audit findings with external auditor and the related management responses; • making recommendations to the Board, subject to the Shareholders' approval at the 2016 annual general meeting, the appointment of external auditors of the Company; • reviewing of the development in accounting standards and its effects on the Group, goodwill assessment and financial reporting matters; • reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training program and budget; and • reviewing the Company's compliance with CG Code and disclosure in the Corporate Governance Report.

NOMINATION COMMITTEE

Members	Three independent non-executive Directors, namely Mr. Ting Kit Lun (committee chairman), Mr. Chan Wai Man and Mr. Siu Hi Lam, Alick and executive Director, namely Mr. Yao Kan Shan
Major responsibilities	<ul style="list-style-type: none"> • reviewing the structure, size, and composition of the Board; • formulating policies and making recommendations to the Board on nominations, appointment of Directors and Board succession; • assessing the independence of the independent non-executive Directors; and • monitoring the annual checks and assessing the members of the Board, including the suitability and the sufficiency of time commitment of non-executive Directors.
Major work performed during the year 2016	<ul style="list-style-type: none"> • conducting a review of the Board diversity, assessing the independence of the independent non-executive Directors and the contributions of the Board members and recommending the submission of the proposal on Directors' re-election at the forthcoming 2016 annual general meeting; and • recommending the establishment of the Risk Management Committee.

REMUNERATION COMMITTEE

Members	Three independent non-executive Directors, namely Mr. Siu Hi Lam, Alick (committee chairman), Mr. Chan Wai Man and Mr. Ting Kit Lun
Major responsibilities	<ul style="list-style-type: none"> • making recommendation to the Board on the Company's policies and structure for the remuneration of the directors and senior management; • determining the remuneration packages of all executive Directors and senior management; and • ensuring the remuneration offered to the Directors and senior management of the Company is appropriate for the duties and in line with market practice.
Major work performed during the year 2016	<ul style="list-style-type: none"> • reviewing and approving performance-based remuneration of all executive Directors and senior management; • ensuring that no Director or any of his associates is involved in deciding his own remuneration; and • ensuring the existing terms of employment of all executive Directors and appointment letters of independent non-executive Directors of the Company are fair and reasonable.

Corporate Governance Report

RISK MANAGEMENT COMMITTEE

Members	Two executive Directors, namely Mr. Yao Kan Shan (committee chairman), and Mr. Chui Bing Sun, and the Chief Financial Officer, namely Mr. Jip Ki Chi
Major responsibilities	<ul style="list-style-type: none"> • reviewing and assessing the effectiveness of the Group's risk management framework; and • monitoring the effectiveness of the risk management framework to identify and deal with risks faced by the Company (including operational, regulatory and financial risks etc.
Major work performed during the year 2016	<ul style="list-style-type: none"> • discussing the risk management report for 2016 in relation to the analysis on compliance risk and procurement risk; and • ensuring the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting functions.

BOARD MEETING

The Board regularly meets in person to discuss and formulate overall strategic direction and objectives and also approve annual, interim and quarterly results as well as other significant matters of the Company. Execution of daily operational matters is delegated to management.

The Company Secretary assists the Chairman in preparing notice and agenda for the meetings, and ensures that the Company complied with the corporate governance practices and other compliance matters. Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. At least 14 days notice of all regular board meetings were given to all Directors, who were all given an opportunity to include matters in the agenda for regular discussion. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each regular board meeting or committee meeting (or such other period as agreed) to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

All Directors have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures and all applicable rules and regulations are followed.

Minutes of the Board/committee meetings are recorded in significant detail for any decision and recommendation made during the meetings. Draft and final versions of minutes are circulated to Directors or committee members within a reasonable time after the meetings are held and taken as the true records of the proceedings of such meetings. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

All Directors are entitled to have access to board papers and related materials unless there are legal or regulatory restrictions on disclosure due to regulatory requirements.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by way of a Board/committee meeting and the interested shareholder or Director shall not vote nor shall he/she be counted in the quorum present at the relevant meeting. Independent non-executive Director who, and whose associates, have no material interest in the transaction, should be present at such a board meeting.

Corporate Governance Report

ATTENDANCE OF INDIVIDUAL DIRECTORS AND SENIOR MANAGEMENT

Details of Directors' and senior managements' attendance at the Board meetings, meetings of Board committees and general meetings held in 2016 are set out in the following table:

Name of Directors	Attendance/Number of meetings					
	Board Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting	Risk Management Committee Meeting	General Meeting
Executive Directors						
Mr. Chui Bing Sun (Chairman)	6/10	N/A	N/A	N/A	0/1	1/2
Mr. Dong Choi Chi, Alex	6/10	N/A	N/A	N/A	N/A	0/2
Mr. Yao Kan Shan	10/10	N/A	2/2	N/A	1/1	2/2
Independent non-executive Directors						
Mr. Chan Wai Man	10/10	1/1	2/2	4/4	N/A	2/2
Mr. Siu Hi Lam, Alick	10/10	1/1	2/2	4/4	N/A	2/2
Mr. Ting Kit Lun	10/10	1/1	2/2	4/4	N/A	2/2
Chief financial officer						
Mr. Jip Ki Chi	N/A	N/A	N/A	N/A	1/1	N/A

AUDITOR'S REMUNERATION

The consolidated financial statements of the Company for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers. During the year, remuneration of approximately HK\$1,100,000 (31 December 2015: HK\$1,000,000) was paid and payable for the provision of audit services. There is no payment made for non-audit services for the current year (31 December 2015: HK\$250,000).

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 December 2016 is set out below:

	Number of members of senior management
HK\$1,000,000 or above	1
HK\$500,000 – HK\$999,999	1
	2

Further particulars regarding the five highest paid employees and Directors' remuneration are set out in notes 9 and 10 to the financial statements, respectively.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Chairman of the Board is responsible for identifying appropriate candidate and proposing qualified candidate to the Board for consideration. The Board will review profiles of the candidates recommended by the Chairman and make recommendations on the appointment, re-election and retirement of Directors.

Candidates are appointed to the Board on the basis of their skill, competence and experience that they can contribute to the Company. The Company believes that members of the Board, individually and collectively, have satisfactorily discharged their duties.

Newly appointed Director will be briefed and updated to ensure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities of the latest changes under the GEM Listing Rules, Companies Ordinance, Securities and Futures Ordinance, and other regulatory requirements.

The independent non-executive Directors are appointed for an initial term of one year from the date of appointment and is renewable each year. They are subject to retirement by rotation and re-election by shareholders at the Annual General Meeting ("AGM") after their appointment and thereafter at least once every three years in accordance with the Bye-laws of the Company.

In accordance with the Bye-laws of the Company, one-third of the Directors who have been longest in office since their last election or re-election are also subject to retirement by rotation at the AGM. All retiring Directors are eligible for re-election.

All Board committees are established with defined written terms of reference which are available to shareholders on website of the GEM of the Stock Exchange and the Company.

BOARD DIVERSITY

The Company has formulated the board diversity policy aiming at setting out the approach on diversity of the Board of the Company. The Company believes that a diversity of perspectives can be achieved through consideration of a number of aspects, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. Board appointments will be made on merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. There is no financial, business, family or other material/relevant relationships between Board members.

Corporate Governance Report

The Nomination Committee is responsible for monitoring and reviewing the implementation of the Board Diversity Policy to ensure its effectiveness and recommending any revisions of the policy to the Board for consideration and approval.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING AND DISCLOSURES

The Directors acknowledge their responsibility for preparing the financial statements of the Company and of the Group.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements. The Directors are responsible for the preparation of the consolidated financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the annual, interim and quarterly results of the Company for the year ended 31 December 2016, the Directors have adopted suitable accounting policies and applied them consistently.

The responsibility of the auditors with respect to these consolidated financial statements is set out in the Independent Auditor's Report on pages 40 to 45 of this Annual Report.

The Company is committed to ensuring compliance with regulatory requirements under the GEM Listing Rules, applicable laws and regulations in handling connected transactions. Accordingly, the Company implemented various internal control mechanisms to capture and monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the independent shareholders in accordance with the GEM Listing Rules. The connected persons will be required to abstain from voting in the general meetings. Details of the connected transactions of the Company during the year are set out in the "Directors' Report" of this annual report.

COMPANY SECRETARY

The Company Secretary supports the Chairman, Board and Board Committees by ensuring good information flow and that Board policy and procedures are followed. He advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and is appointed by the Board. Although the Company Secretary reports to the Chairman, all Directors may call upon for advice and assistance at any time in respect to their duties and the effective operation of the Board and the Board Committees. The Company Secretary also plays an essential role in the relationship of the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the GEM Listing Rules.

The Company does not engage an external service provider as its Company Secretary. Mr. Jip Ki Chi, being the secretary of the Company, has taken not less than 15 hours of relevant professional training during the year ended 31 December 2016.

DIRECTORS' TRAINING

Upon appointment to the Board, the Directors receive a package of orientation materials about the Group and are provided with a comprehensive induction to the Group's businesses by senior executives. Continuing education and information are provided to the Directors regularly to help ensure that the Directors are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses.

In addition, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

INTERNAL CONTROL

Responsibility

The Board had full responsibility for the Group's internal control system, which includes the establishment of a defined management structure with specified limits of authority. The system is designed to help the achievement of business objectives of the Group, effectiveness and efficiency of the operation; reliability of financial reporting; and compliance with applicable laws and regulations. The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

Corporate Governance Report

The key procedures that the Board established to provide effective internal controls are as follows:

- **Organisational Structure**
An appropriate organizational structure is in place with defined operating policies and procedures as well as responsibility and lines of authority.
- **Authority and Control**
The executive Directors and senior management are delegated with respective levels of authorities to carry out the corporate strategies and policies and the related matters formulated by the Board.
- **Budgetary Control and Financial Reporting**
The Group implements budget management and financial budget are executed upon approval by the Board. Relevant procedures have been established to assess, review and approve major capital and recurrent expenditures, and regular review and comparison between operating results and the budget are made.

The Group has established appropriate internal control procedures to ensure the keeping of complete and accurate accounting and management records on a timely basis. Examination and review are carried out regularly to ensure that the financial statements are properly prepared in conformity with the generally accepted accounting principles, the Group's accounting policies and the applicable laws and regulations.
- **Internal Auditing**
Group Internal Audit reports to the Audit Committee of each regularly scheduled meeting on the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material weaknesses in those controls. Group Internal Audit adopts a risk-and-control-based audit approach. During the year, Group Internal Audit had performed reviews on major aspects of the Company's operations in PRC and Hong Kong. This review covered all material controls, including financial, operational, compliance controls and risk management functions, and also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions, and their programs. The results of these audit activities are communicated to the Audit Committee. Audit issues are tracked, followed up for proper implementation, and their progress and reported to the Audit Committee periodically.

The Audit Committee was satisfied with the results of the self-evaluation of the Group and considered that the internal control systems of the Group were effective and adequate and its opinion was endorsed by the Board. During the year, no significant areas of concern which might affect the Shareholders were identified.

RISK MANAGEMENT

Framework and Approach

The Group had adopted the risk management framework formulated by the Committee of Sponsoring Organizations of the Treadway Commission in the United States as recommended by the Hong Kong Institute of Certified Public Accountants. The purpose of the Company's risk management process is to identify and manage risks in such a way that the Company is able to meet its strategy and financial targets and commitment to competence. The Group formulated risk management procedures by taking into account adequately the eight elements of this risk management framework: control environment, objective setting, risk identification, risk assessment, risk response, control activities, information and communication, and also monitoring and improvement.

Control Environment

The Group believes that risk management is the responsibility of everyone within the Group. It aims to develop risk awareness and control responsibility as our culture and the foundation of our internal controls system. The internal controls system applies to the Group's critical business processes including business planning, investment decisions and day-to-day operations.

The Group also believes that corporate governance is often associated with business ethics. In order to ensure the Company's reputation be enhanced by the honest, loyal and ethical behaviors of staff, the Group has formulated a formal Staff Code. Management has also conducted annual self-check to see whether the rules and guidelines specified in the Staff Code have been properly adhered to.

Control Activities

In the Group's deathcare services and related business, control activities have been built on regular top-level reviews and segregation of duties. Currently, the key features of the internal controls system include:

- the design of an organisational structure with defined lines of responsibility and delegation of authority;
- the setup and adherence of authorisation and approval limits of the Company;

Corporate Governance Report

- the establishment of policies and procedures to support deployment of management's directives; and
- the systems and procedures to identify and mitigate risks on an ongoing basis.

Major operational risk factors and measures

Regulatory compliance risk of the Group's cremation services operate in PRC and Hong Kong are the main source of risk. Today's business is faced with more air quality regulations than ever before, and the number of regulations that are passed increase with complexity each year. Regulatory compliance risk management or control is critical and therefore be a key attention area of the Group.

During the year, the subsidiaries of the Group firmly adhered to satisfy with the air quality regulations, regulations on the administration of funeral and interment and health and safety regulations. The substantial work on regulatory compliance risk management on carried out including:

- (a) training staff on the basics of environmental regulations;
- (b) keeping eyes out for new regulations or changes to existing ones;
- (c) acquiring new equipment to retrofit existing equipment to meet air emission limits, ensuring the air pollution impact on the neighbours due to operation of the cremators will be minimal;
- (d) monitoring equipment to be used shall meet the specifications specified by the Authority. It shall be maintained and calibrated according to the manufacturer's recommendations;
- (e) maintaining air pollution control equipment such as cyclones or afterburners as per manufacturers' instructions;
- (f) working with the folks in facility to ensure that the requirements of the rules are followed;
- (g) operating staff shall be properly trained in their duties relating to control of the process and emissions to air. Particular emphasis on training for start-up, shut down and abnormal conditions;
- (h) assuming of malfunctioning and breakdown of the process or air pollution control equipment which would cause exceed of the emission limits or breaches of other air pollution control requirements, the incident shall be reported to the Authority immediately without delay;

- (i) gathering and organising records in preparation for environmental compliance reports; and
- (j) conducting research on the best practices for environmental management.

In addition, the management of the Group refined the environmental management work, regularly carried out hazard and safety inspections on each operating unit, follow-up action and undertaken quarterly risk assessments.

Procurement risk mainly occurs in the process of selection of cremator supplier, particularly in procurement operations of Huai Ji Luck Mountain Funeral Parlor Limited ("Huai Ji Funeral"). Conditions of cremator fails to meet the specification designated by the Authority would result in significant impact on the operation of the business. In order to regulate the procurement operations, Huai Ji Funeral implemented various measures to minimize the procurement risk so as to standardise the procurement procedure and strengthen the management measures. The suppliers are requested to provide monitoring report certified by the State Environmental Protection Department of each new acquiring cremator. As such, it can ensure the cremator satisfy with the constraints condition and regulation. The procurement department could mitigate the risk of acquired unqualified equipment involving significant amounts which can improve and optimize the efficiency of procurement management.

Risk Management Process

The establishment of risk management system is one of the major tasks of the Group this year, and the Group has set up its Risk Management Committee during the year which is specifically responsible for the establishment and maintenance of a comprehensive risk management system. Through the implementation of systematic risk management framework and policy, the Group can persistently and thoroughly identify, assess and mitigate the key risks faced by the Group. In addition, the committee is also responsible for the risk analysis of new investment projects, so as to ensure that the risks of new investment projects can be properly controlled and the expected benefits and returns can be achieved.

In order to ensure the professionalism and applicability in the establishment of risk management system, the Group has employed an external professional team as system establishment consultant. During the year, with the combination of both top-down and bottom-up risk assessment approaches, through the organization of risk interviews with top management and senior executives, and through on-site risk assessment of some representative environmental protection projects, the key risks faced by the Group have been identified and the relevant risk mitigation actions and responsibilities have been preliminarily assigned.

Corporate Governance Report

Following the establishment of Risk Management Committee under the Board, the committee acts on the Board's behalf to persistently monitor the effectiveness of the risk management system and the daily risk management functions of the Group. The Group will, subject to the risk reporting requirements advised by the Risk Management Committee, coordinate all departments to persistently enhance the risk management system, to continuously identify and assess potential new key risks, and to formulate the risk reporting mechanism at different levels. At the same time, the Group will periodically organize risk management trainings, in order to strengthen the employees' understanding over risk prevention, to promote the culture of risk management, to enhance the Company's overall standard of risk management, and to provide a good foundation for the sustainable growth of the Group.

INSIDE INFORMATION

The Company recognises that the release of inside information to place anyone in a privileged dealing position is strictly prohibited and has adopted an Inside Information Policy to ensure compliance of the Listing Rules. Prior to the announcement of any inside information, all Directors and senior management are requested to take all reasonable steps to maintain strict confidentiality and where it is reasonably likely that confidentiality may have been lost in respect of the inside information, the Company shall as soon as reasonably practicable, apply to the Stock Exchange for a trading suspension of its shares.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in a manner of (i) delivery of the quarterly, interim and annual reports to all shareholders; (ii) publication of announcement on the quarterly, interim and annual results on the website of the GEM of Stock Exchange and the Company, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the GEM Listing Rules; and (iii) the general meeting of the Company is also an effective communication channel between the Board and the shareholders.

CONSTITUTIONAL DOCUMENTS

During the year under review, there is no change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given high priority. The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual, interim and quarterly reports, press announcements and circulars made through the website of the GEM of Stock Exchange and the Company.

The Board also maintains an on-going dialogue with shareholders and use general meeting to communicate with shareholders. The Company encourages all shareholders to attend general meeting which provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board and members of relevant committees and senior management of the Company are also available to answer the shareholders' questions. The notice of AGM was sent to shareholders at least 20 clear business days before the AGM. For general meeting other than AGM, notice was sent to shareholders at least 10 clear business days before the general meeting.

SHAREHOLDERS' RIGHTS

How Shareholders can convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to the Bye-Laws of the Company, any one or more Shareholder 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 by mail at 10th Floor, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong to require an extraordinary 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 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitions(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitions(s) as a result of the failure of the Board shall be reimbursed to the requisitions(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at 10th Floor Fun Tower 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong or by email at enquiry@sig.hk. The Company Secretary forwards communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

Environmental, Social and Governance Report

REPORT OVERVIEW

As a listed private enterprise, the Company has been actively undertaking corporate social responsibility behaviour, pursuing the humanistic concept of green development and striving to bring about positive impacts through green, energy-saving environmental protection and social responsibility. In 2016, the Company laid emphasis on performing obligations of environmental protection and social responsibility, so as to guarantee our commitments made to the stakeholders including our shareholders, staff, customers and society.

According to the requirements of the "Environmental, Social and Governance Reporting Guide" (the "Guide") in Appendix 20 of the Listing Rules, the Company issued an "Environmental, Social and Governance Report" (the "ESG Report"), the content of which includes the two main subject areas (being Environmental (Main Subject Area A) and Social (Main Subject Area B)) among the subject areas of environmental, social and governance as required by the Guide. The period covered in the Report is the same as the period covered in the 2016 annual report.

This ESG report covers the operational boundaries includes data and activities of our headquarters in Hong Kong and several operating subsidiaries in Guangdong. The reporting period of this ESG report is for the financial year 2016, from 1 January 2016 to 31 December 2016 ("FY2016"), unless specially stated otherwise.

A. ENVIRONMENTAL SUSTAINABILITY

The Group attaches great importance to corporate environmental and social responsibility, adhering to the core value of "Benevolence" to practise its mission of "Innovative Thinking". In strict compliance with national environmental regulations, the Group proactively shoulders environmental responsibility by advancing technological innovations, enhancing resource utilisation efficiency and promoting energy conservation and emission reduction in its production and development, to explore on an approach featuring low consumption, low emission and high output.

This section will primarily disclose the information on carbon emissions, use of resources, and environmental and natural resources of the Group during the FY2016.

A.1. Emissions

Since the Group is principally engaged in provision of deathcare services and related business, the emission mainly comprises domestic wastewater, domestic solid waste and Greenhouse Gases (GHGs) emission. The Group has appealed the staff to save water and electricity in the daily operation; it has also taken initiatives for full recycling of waste materials to reduce unnecessary waste produced therefore to minimise the environmental impact. The specific emissions are reported respectively as below:

A.1.1 Wastewater Produced

Wastewater produced by the Group mainly generated from the daily water usage from its staff during working hours in office, which including wastewater from washing and toilet flushing. No hazardous wastewater was produced from our operation. The amount of wastewater generated is already very insignificant and only covers the domestic sewage which can be directly discharged to the local municipal waste water treatment plant. Still, the Group takes actions to engage and inform employees to be conscientious of water use and get them involved in the business's green efforts.

Environmental, Social and Governance Report

A.1.2 *Solid Waste Produced*

Solid waste produced by the Group mainly generated from the daily paper usage, packaging waste, office document waste and staff food waste. Due to the nature of our business, there is no hazardous solid waste produced from the Group. To mitigate the amount of solid waste produced, the Group had taken measures to reduce the amount of paper consumption by improving the efficient use of paper. We adopt the concept of recycle use of paper and other stationaries such as lunch box, bottles and cans, etc. Moreover, in Code 3.5 of the Staff Hand Book, the Group adopts the policy of commitment to environment by appealing our staff to think before printing, copy and print on both sides of paper, reuse items like envelopes, folders and paper clips, use email instead of paper and turn off lights, computers and electrical equipment before leaving the office. Since it is the first year for the Group to conduct the ESG report, there is no comparison as to evaluate what results achieved on account of these mitigation measures.

A.1.3 *GHGs Emission*

GHGs emission of the Group mainly comes from the exhausted gas generated by the incineration in the operation site and indirect emission of the consumption of electricity. To minimize the influence of the exhausted gas from incineration on the environment, the Group has purchased two sets of exhaust gas treatment units in order to eliminate noxious gas and decrease GHG emission generated from the cremator. To evaluate the quality of the exhaust gas generated from the cremator, the Group has authorized the Keda Environmental Protection Equipment Ltd., Co. in Jiangmen to conduct the exhaust gas monitoring. The toxic equivalent quantity (TEQ) of Dioxin, amount of smoke, SO₂, NO_X, CO, HCl and mercury are all up to the emission standard (GB 13801-2015).

Above all, the Group understands well that to make more efficient use of electricity will directly reduce the amount of GHGs emissions, the detailed measurements taken by the Group and the relevant achievement are described further in Aspect A2 Use of Resources. To indirectly mitigate the GHGs, the Group had also taken some methods, such as to choose more environmental friendly paper supplier, to save the amount of paper consumed and fresh water consumed by its staffs.

The noxious gas and GHG emission from the Group are far below the emission limit. Therefore, the Group has formulated one of its objectives as to meet the requirements of the Emission Standard of Air Pollutant for Crematory (《火葬場大氣污染物排放標準》) and aims to be a eco-friendly enterprise.

A.2. Use of Resources

A.2.1 *Electricity Consumption*

The total electricity consumption of the Group directly comes from the lighting, air-conditioners, computers and other office equipment in the office, and the regular function of the crematorium in the operation site. Upon comparison, there is a slight increase of the electricity consumed this year than last year because of the newly bought exhaust gas treatment units.

To ensure the effective use of electricity, several electricity saving practices were applied by the Group during FY2016 as below:

- Turning office lights off whenever and wherever not necessary;
- Turning office cooling air-conditioners down, and turning them off whenever not necessary;

Environmental, Social and Governance Report

- Following a cleaning and maintenance schedule that keeps office equipment (such as refrigerator, air-conditioner, paper shredder, etc.) running efficiently; and;
- Replace high electricity consumption lamps with electricity saving lamps for office lighting.

A.2.2 Diesel Consumption

The diesel consumption comes only from the operation site by two means. One is the cremation where diesel is burnt directly. And the other is to burn diesel to generate electricity when there is a power failure. To reduce diesel consumption, the Group has adopted more efficient cremation equipment in the operation site.

A.2.3 Water Consumption

Water consumption by the Group is entirely generated from the domestic use by its staffs during the working hours in office building. However, the Group have no water consumption record. In Hong Kong, the water consumption charges are included in the building management fee so that the water bills won't be calculated separately. As for in China, the water is drained directly from the mountain stream, thus there is neither water supplier nor record of consumption amount.

A.2.4 Coffin Consumption

One of the raw materials the Group needs is coffin. Upon internal comparison, the coffin consumption is almost the same as that in last year. Since the purchase of coffin is made-to-order basis, there is no specific measurement to reduce its consumption.

A.3. The Environment and Natural Resources

In relation to the operation site, the Group is in strict compliance with the relevant laws and regulations and conducts regularly inspecting and monitoring on the regular operation of the Group. As for the environmental impacts from our operation process, the Group's routine operation exerts no bad influence on its surroundings with more than 1 kilometre away from the residential area around. According to the inspection results, the three wastes, noise and other environmental impacts generated from the operation process of the Group are in conformity with emission standards. Moreover, since the operation site is located on the mountain, the previous planted trees which cover an area of 65,000 m² contribute a lot to the GHG removal. Besides, there is around 30,000 m² out of 55,000 m² flat grounds being covered with various kinds of trees, which have helped to offset a considerable amount of the GHGs emissions in the FY2016.

The Group will continue to adhere to the safety, harmony and green development concept and make unremitting efforts to create a resource-saving and environmental-friendly corporate.

B. SOCIAL SUSTAINABILITY

The Group persists in the combination of a people-oriented management philosophy and an innovation mechanism. Through diversity and humanistic management, the Group has established a close relationship of mutual trust and support between the Group and its staff, and created a positive, healthy and motivated corporate culture and work environment for its employees. Meanwhile, the Group cherishes every talent and provides employees with a competitive remuneration mechanism. Moreover, the Group also incessantly optimized its human resources structure, and improved its management methods in order to fully bring out employees' enthusiasm and initiatives.

Environmental, Social and Governance Report

Employment and labour practices

B.1. Employment

The Group embraces the talent concept of “paying respect to the dedicated, utilising the competent, fostering the aspiring and incentivising the innovative”, seeking to provide a safe and sound working environment for employees and cultivating talents experienced in technology and management. By improving the remuneration system and career paths, we expect to establish a comprehensive incentive system based on physical, mental, emotional and growth motivations to carry forward the harmonious and stable employment relationship.

Our human resources policies strictly adhere to the applicable employment laws and regulations in Hong Kong and the PRC, including, the Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Minimum Wage Ordinance, Labour Law of the PRC (《中華人民共和國勞動法》), Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), etc. Our Human Resources Department reviews and updates relevant company policies constantly in accordance with the latest laws and regulations.

To motivate and reward our employees, we offer competitive and fair remuneration and benefits based on individuals’ performance, professional qualifications, experiences and market benchmarks to attract, motivate and retain high-calibre workforce. The policy is reviewed by the Remuneration Committee. We conduct annual review to ensure that our staffs are recognised by the Group appropriately with regard to their working efforts and contributions. Meanwhile, any termination of employment contract would be based on reasonable and lawful grounds. We strictly prohibit any kinds of unfair or unreasonable dismissals.

Talent acquisition and retention is vital to our business development. Thus we attach great importance to the benefit of our staff. Throughout the Group, we arrange reasonable working hours and leave for our employees which are in line with local employment laws. In addition to statutory holidays stipulated by the region such as the basic paid annual leave, employees may also be entitled to sick leave, maternity leave, marriage leave, bereavement leave with paid as long as related documents are provided under the employment law of the local government. On some traditional Chinese festivals, the Group will give out bonus and gifts to the employees. The heartening improvement is also essential, which is contributed by the effective two-way communication system between the general staff and managerial staff. Besides all the general communication tools, like the bulletin board posting, email, employee handbook, training and manager meeting, the Group has enterprise internal telephone and suggestion box to ensure a barrier-free employer-employee relationship.

The Group is committed to create a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in terms of all human resources and employment decisions, for instance, training and promotion opportunities, dismissals and retirement policies irrespective of their gender, race, age, disability, family status, marital status, sexual orientation, religion beliefs, nationality or any other non-job related factors in all business units. Our equal opportunities policy enforces zero tolerance to any workplace discrimination, harassment or victimization in accordance to relevant government legislation, ordinances and regulations, such as Regulations Concerning the Labour Protection of Female Staff and Workers (《女職工勞動保護規定》) and Law of the PRC on the Protection of Rights and Interests of Women (《中國婦女權益保障法》). Disciplinary actions would be taken against any employee if there is any non-compliance or breach of legislation related to the equal opportunities policies.

Environmental, Social and Governance Report

B.2. Health and Safety

To provide and maintain a safe and healthy working environment, our safety and health policies are in line with various laws and regulations stipulated by the Government of Hong Kong and PRC, including the Occupational Safety and Health Ordinance, the Production Safety Laws of the PRC (《中國安全生產法》), the People's Republic of China Occupation Disease Prevention Law (《中國職業病防治法》) and Regulation on Work-Related Injury Insurance (《工傷保險條例》).

In FY2016, we continued to enhance management and control over safety and health risks. We have kept our record as to achieve accident-free workplace environment. We set stringent safety and labour practice standards to minimize the risk of accidents and enhance the employees' health and safety awareness. We implement occupational health system by providing physical examination for relevant employees in the operation site every year, especially occupational diseases examination for those exposed to dust, toxic and hazardous materials. The Group buys work injury insurance for relevant employees in case of any accidents happened during working hours or on the way between home and office. All the employees in the operation site are required to be trained on Emergency management, Hazardous materials handling, Machine safeguarding and Occupational health and safety courses. In FY2016, we have conducted emergency response drill, safety inspections, cleaning of the air-conditioning systems, and disinfection treatment of carpets in the operation. Besides, we have organized our annual health and safety training, held regular safety work meetings, set up safe and healthy work bulletin, build up safety warning signs, set up safety banners and slogans and arranged health check for relevant employees there. The Group implements the above policies in working place every once in a year and monitors the policy around the clock. Recently, we adopted the policy of prohibiting smoking and drinking liquor in workplace with an aim to maintain a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment. Besides, we provide disinfectants

for relevant employees and customers and conduct environmental disinfection in the operation site at least twice per day. Protective clothing, masks, gloves and other tools are also free for the employees in the operation site to use. Furthermore, the Group has well-stocked, unlocked first aid stations and ensures that all emergency exits unobstructed and unlocked from the inside at all times in working place during working hours.

During the operation process, to ensure the health and safety of the employees and the customers when conducting the service such as cremation, changing clothes and putting on make-up for the corpse, and embalming the body, the Group has taken the following measurements:

1. A death certificate issued by a hospital is required before conducting cremation;
2. If the cause of death is contagious, the Group has rights to refuse to change the clothes, put on make-up and embalm the body, and to cremate it immediately;
3. Adequate disinfection equipment must be provided by the Group to ensure a healthy and safe service environment.

B.3. Development and Training

We offer different training and development opportunities to our staff in order to strengthen work-related skills and knowledge and improving operational efficiency and productivity. The average training hours completed per employee in the operation site is six. For new hired employees, we provide comprehensive orientation training to understand our corporate culture, business flow, working health and safety, management systems and group development. For experienced staff, we offer technical and operational training such as Career Training Courses.

Environmental, Social and Governance Report

B.4. Labour Standards

We strictly abide by the Employment Ordinance of Hong Kong, Labour Law of the PRC (《中華人民共和國勞動法》), Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), Prohibition of Child Labour of the PRC (《中國禁止使用童工規定》) and other related labour laws and regulations in Hong Kong and China to prohibits any child and forced labour employment.

To combat against illegal employment on child labour and forced labour, prior the confirmation of employment, our human resources staff specifies that all employees shall provide a valid identity documents to ensure that the applicants are lawfully employable and a whistle blowing mechanism has been established by Human Resources Department to monitor and ensure full compliance of latest and relevant laws and regulations that prohibits child labour and forced labour. There would be regular checks and inspections on the execution of our human resources policies for the Group headquarters and subsidiaries.

Operating practices

B.5. Supply Chain Management

As a socially responsible enterprise, it is critical and vital for the Group to maintain and manage a sustainable and reliable supply chain. We achieve this goal by conducting comprehensive evaluation of potential suppliers and thorough investigations of selected suppliers, imposing strict standards on the quality of suppliers' raw materials and services, and reviewing the suppliers' products, services, previous track record, ongoing projects, reputation, quality and their social and environmental responsibility annually so as to maintain a good and long-term relationship with suppliers.

Our main business is to provide service about funeral and interment, thus our principle supplies are mainly urns, and eco-friendly coffins. The Group chooses suppliers according to the requirements of the specific business and customers and the environmental and social risks. Our standards are listed as below:

1. The suppliers must hold legal business license;
2. The product quality of the suppliers must be high-class;
3. The products of the suppliers must be environmentally friendly and pollution-free, which should be healthy and safe to the employees and the customers.

The company will arrange regular visit and communication with the suppliers to keep informed of the latest business situation of the suppliers. The Purchase Department is in charge of the evaluation of the suppliers in the following four aspects: regulatory compliance, rights of the employees, health and safety, and environment protection. The products provided by the suppliers must conform to related environmental protection regulations and safety regulations. And all the products will be evaluated and supervised by both the Department of Funeral Management from Huaiji County and Zhaoqing City.

To ensure sufficient supply, the Purchasing Department will keep close contact with the suppliers and reserve products in advance. Besides, the company usually has backup suppliers. About the risk of price fluctuation, since the price asked by the suppliers must be examined and approved by the local Price Control Authority, there is no risk as sudden rise in prices. The suppliers are usually reliable after long-term cooperation and we only enter into supply contacts with our product suppliers based on the projects and needs. Anyhow, the company will conduct some basic evaluations upon contracts in top management turnover, production capacity, changes in manufacturing techniques and raw materials, and violations of the law and discipline of the suppliers.

Environmental, Social and Governance Report

According to the evaluation of the Purchasing Department, those with serious problems existed in the regulatory compliance, rights of the employees, health and safety, and environment protection will be put in the black list immediately. After being purchased, if the products don't accord with the requirements of the Group, the company has rights to return the products and refuse to pay the bills while the return expense should be covered by the suppliers as well. In the meantime, the relevant suppliers will be put in the black list.

B.6. Product Responsibility

The core value of the Group is benevolence. To revolutionize the deathcare industry through innovative thinking is our mission. Meanwhile, we abide by the service concept that to treat the deceased as our loved ones and make the customers move on without regrets. Our slogan is "Care for the dead, care for the living" ("關愛逝者·關心生者"). Moreover, to promote the harmonious relationship between man and nature, the Group advocates civilized and frugal procedure of the funeral and promotes the concept known as "Green Funeral". Under the guidance of the local government, the Group gradually developed area for arbour burial, flower burial and grassland burial in the operation site. We are dedicated to promoting the quality of our product and service and protecting the environment.

With regard to our service quality and safety, our Quality Management System is in line with the rules and regulations as stipulated by the PRC government. Upon providing service of the funeral and interment, the Group mainly follows the regulations of the National Funeral Management Regulations (《國家殯葬管理條例》), and Funeral Management Approach for Guangdong Province (《廣東省殯葬管理辦法》) to ensure legal compliance.

We require high hygiene standards and perform sterilisation on the remains once they are transported to our facilities. The Supervision Office inside the Group is set up to assess product quality, while Funeral Management Department in both Zhaoqing City and Huaiji County monitor our business and check our products from time to time. In regard to the quality and safety of the ashes stored in the company, since the ashes are produced by high temperature cremation of over 900 degrees centigrade, the only practice to prevent them from deteriorating is to seal them up. The cremation urns are kept in the ashes building with specific employees on guard to ensure proper management. Due to our strict management rules, there is no case of ashes deterioration or loss urns for the last decade since the operation site was built up.

To ensure a clean and tidy environment and that the funeral equipment is in good condition so that the deceased can be kept properly, the company is equipped with specialized cleaning staff who are required to clean the whole office area at least twice a day. The company is equipped with a dedicated plumber, while staff in the works-industry must check the funeral related instruments to ensure safety and regular processing. In the meantime, they have to stay in contact with the suppliers to replenish products in case of any shortage.

Due to the special nature of our business, no public advertisement is conducted, yet a large number of new customers have been referred to us through word-of-mouth, where customers who are satisfied with our products and services share their experience with others around them. All of these measures strengthen our product offerings and service quality, and consequently enable us to stay competitive in the market.

Environmental, Social and Governance Report

In the meantime, the company has prepared opinions boxes and telephone complaints for 24-hour supervision from the staff and the public. The data collection of complaints is in the charge of the general office. Once complaints of the products and service of the employees are received, there will be a research and an analysis about the complaints and a meeting will be held to discuss the reply to the complaints and according punishment to the employees. The whole procedure will take less than a week. The general office and the Huaiji County Funeral Management Department will take the follow-up action if necessary.

To establish a good reputation among the public and improve the management system and reform of the funeral parlor, the detailed punishment to the employees who have violated regulations or law will be punished accordingly. Employees who fail to abide by the Regulations on the Administration of Funeral and the Implementation of the Reform of the Funeral in Huaiji County or commit things that go against the reform of the funeral, and those who go against the company's arrangements will be recorded a serious demerit or even dismissed if necessary.

We are committed in abiding by the Personal Data (Privacy) Ordinance and Consumer Council Ordinance in Hong Kong, and Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中國消費者權益保護法》) to ensure our customers' rights are strictly protected. All collected personal data is treated confidentially and is kept securely, accessible by designated personnel only. During the reporting year, there were no substantiated complaints received concerning breaches of customer privacy and losses of customer data. We prohibit the provision of consumer information to a third party without authorisation from the customers. Customers remain the rights to review and revise their data, and also remain the rights to opt out from any direct marketing activities. For specific practices, the Group has set up programs to keep customer's personal data. Only authorised personnel could access to restricted information with permission. The data processing of the customer/cremation roster is guided by specific regulations from different departments. Because of our good-quality products and services, we perfectly met the requirements formulated by Zhaoqing Management Office and won second prize representing Huaiji County among the government offices in all the districts in Zhaoqing.

B.7. Anti-corruption

To maintain a fair, integrity and efficient business and working environment, we strictly adhere to the laws and regulations relating to anti-corruption and bribery as set out by the government of the PRC and Hong Kong, such as Law of the People's Republic of China on Anti-money Laundering (《中國反洗錢法》), Article 274th of the Criminal Law of the People's Republic of China (on extortion and fraud) (《中國刑法第274條(關於敲詐勒索)》), Prevention of Bribery Ordinance, and Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, etc.

Besides, we have formulated and strictly enforced our anti-corruption policies as stipulated in the Construction of the Party Style and the Honest and Clean Government as contained in the Employees' Handbook that we will not be tolerated any form of corruption. All employees are expected to discharge their duties with integrity and self-discipline, and they are required to abstain from engaging in any activities related to bribery, extortion, fraud and money laundering which might affect their business decision or independent judgment in the course of business operation which exploit their positions against the Group's interests. For example, those who have deliberately making things difficult for the customers or ask for money and gifts, and charge the customers for expense that should be claimed by the company, such as the transportation charge of the corpse and expense for clothing and cleaning the corpse will be recorded a serious demerit or even dismissed if necessary.

Our Human Resource Department would conduct investigations against any suspicious or illegal behaviour which are related to bribery, extortion, fraud and money-laundering to protect the Group's interests. Corresponding assessment, consulting, investigation and punishment internal procedures are introduced in the Group. Furthermore, we have set up advice box and hotline to enable employees or outsiders to report any suspicious activities including any requesting, receiving or accepting any forms of benefits from any persons, companies or organisations having conflict of interest with the Group and misconduct behaviours.

Environmental, Social and Governance Report

We advocate a confidentiality mechanism to protect the whistle-blowers. They can report verbally or in anonymous writing to Head of Office and the Company Compliance and Internal Controls with full details and supporting evidence of suspected misconduct or malpractice. Where criminality is suspected, a report is made to the relevant authorities. According to relevant state policies, bribery, extortion, fraud and money laundering are strictly prohibited. Once exposed, it will be reported to the Prosecuting Authority or Public Security Organ immediately.

Community

B.8. Community Investment

The Group has made great contribute to the development and the promotion of health and culture aspects, as well as environmental protection and education aspects. We have donated to the Virtus Foundation Limited in September 2016 and have made several other donations in China this year. Besides the annual sponsorship to the local Ferry Primary School respectively on the Children's Day and the Teacher's Day, the Group has sponsored the local village committee to build a new cement road and to mend the bridge in danger.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chui Bing Sun (“Mr. Chui”), aged 40, joined the Group on 23 November 2007 and is also a Chairman and CEO of the Group. Mr. Chui leads the board in strategic direction and overall business development in the deathcare industry. Mr. Chui has extensive experiences in funeral industry. Mr. Chui studied over 60 cemeteries and funeral homes in China, Taiwan, United States (the “U.S.”), United Kingdom (the “U.K.”) and France. Prior to joining the Group, Mr. Chui has several years of experience in hedge fund and portfolio management. Mr. Chui has been a fund manager of two global hedge funds for five years and has worked for two international accounting firms. Mr. Chui is a member of the American Institute of Certified Public Accountants (“AICPA”) and is a Chartered Financial Analyst (“CFA”). Mr. Chui is also currently pursuing his PhD in financial engineering at the University of Warwick.

Mr. Dong Choi Chi, Alex (“Mr. Dong”), aged 36, joined the Group on 4 May 2015 and graduated from Griffith University in Australia with a Bachelor of Information Technology in 2004. He obtained his Master of Business Administration in Chinese Business Studies at St Clements University in 2011. Mr. Dong also obtained a Master of Business Administration at the Business University of Costa Rica in 2012. Mr. Dong has extensive experience in business development and marketing. He joined Asian Logic Limited in 2004 after his graduation from Griffith University and became the Business Development Director in 2005 until he left the company in 2009. After that, Mr. Dong founded Nextra Marketing and Business Consulting Limited (“Nextra Marketing”) in Macau in 2009 specializing in event management and provision of tailor-made services to clients as well as assisting them in the formulation of strategic plans. In 2011, Mr. Dong also founded Nextra (HK) Limited (“Nextra HK”) which targets at providing creative marketing solutions to the Hong Kong market. Mr. Dong is currently the Chief Executive Officer of Nextra Marketing and Nextra HK. Meanwhile, Mr. Dong founded Sun Entertainment Culture Limited in 2011 which produces and distributes films and organizes live concert.

Mr. Yao Kan Shan (“Mr. Yao”), aged 38, joined the Group on 4 May 2015 and holds a Bachelor of Science in Applied Mathematics and Statistics from the State University of New York at Stony Brook, USA. After his graduation from the university in 2001, Mr. Yao started to gain experience in marketing and business development from working in companies of different sectors in Hong Kong. Since 2008, Mr. Yao spent much of his time involving in family business on an energy related project and subsequently on a lighting project in Indonesia. It was during this period that Mr. Yao further enriched and applied his experience in strategic planning, project management, branding development, product design and marketing. Mr. Yao joined Nextra HK in 2013 as Project Manager involving in various cross border projects on a diversified range of businesses.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Man (“Mr. Chan”), aged 51, joined the Group on 23 November 2007 and is a member of the Institute of Chartered Accountants in England and Wales and also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Chan has experiences in auditing, taxation and finance. Mr. Chan was an independent non-executive director of Bestway International Holdings Limited (stock code: 718) and Global Mastermind Holdings Limited (stock code: 8063) from May 2013 to January 2016 and April 2014 to December 2015 respectively.

Mr. Siu Hi Lam, Alick (“Mr. Siu”), aged 62, joined the Group on 2 February 2010, is the managing director of Fortune Take International Limited, a company engaging in providing financial consultancy services. Mr. Siu has worked in the finance and banking field for more than 25 years. Mr. Siu was the senior vice president of AIG Finance (Hong Kong) Limited and the vice president of Bank of America and responsible for business development and credit risk management. Mr. Siu obtained a Master degree in Business Administration from the University of Hull in the U.K. Mr. Siu is currently an independent non-executive director of BEP International Holdings Limited (stock code: 2326) and Get Nice Holdings Limited (stock code: 64).

Mr. Ting Kit Lun (“Mr. Ting”), aged 51, joined the Group on 12 October 2015, has been a senior executive with substantial experience in Fortune 500 and local corporations. Mr. Ting had served as APAC head of compliance and regional controller for 15 years in two sizeable US retailers. Mr. Ting has also served a multi-national manufacturing enterprise as Chief Operating Officer. Mr. Ting is currently a consultant providing business strategies advisory at the board level and risks management services in business operations to his clients, which include some prominent financial groups in Hong Kong and private equity firms in China. Mr. Ting is a Fellow of the Association of Chartered Certified Accountants. Mr. Ting obtained his Master of Business Administration degree from the University of Leicester, and his Master of Laws degree from the University of Hong Kong.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Jip Ki Chi (“Mr. Jip”), aged 47, joined the Group on 16 June 2014 and was appointed as the CFO and Company Secretary in September 2014. Mr. Jip is a fellow member of The Hong Kong Institute of Certified Public Accountant (“HKICPA”) and is a Certified Practising Accountant of CPA Australia (“CPA (Aust.)”). Mr. Jip graduated from Queensland University of Technology, Australia with a bachelor’s degree of business in accountancy in March 1994. Mr. Jip then graduated from University of Adelaide, Australia with a master degree in business administration in August 2008. Mr. Jip has a wealth of experience in account, finance, management and company secretarial field and is currently an independent non-executive director of China Meidong Auto Holdings Limited (Stock code: 1268) and Hebei Yichen Industrial Group Corporation Limited (Stock code: 1596).

Mr. Kwok Kwan Hung (“Mr. Kwok”), aged 51, joined the Group on 23 November 2007, is the Director of subsidiary for overseeing the operation function of the funeral business. Mr. Kwok has 25 years of experiences in financial industry and has held various senior positions in listed companies, investment banking groups and an international accounting firm. Mr. Kwok is a practicing certified public accountant, who is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Directors. Mr. Kwok holds a Bachelor’s degree in Science from the University of London. Mr. Kwok is an independent non-executive director of Regent Manner International Holdings Limited (Stock code: 1997).

Ms. Ma Pun Sai, Betsy (“Ms. Ma”), aged 51, was appointed as the director of sales and marketing of the Group in January 2012. Ms. Ma is responsible for the marketing and sales of the Hong Kong funeral and preneed services of the Group. Ms. Ma has over 20 years of experience in public relations for business, celebrities and non-profit organisations. Before joining the Group, Ms. Ma has worked in the areas of network marketing and was a US\$10 million circle member at Nu Skin Enterprise Hong Kong and Honorary Executive Director of Nu Skin Greater China Children Heart Fund.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 17 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and segment results by business segment and geographical segment for the year ended 31 December 2016 are set out in note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement on pages 46 to 47. The Directors do not recommend the payment of a dividend for the year ended 31 December 2016 (31 December 2015: nil).

FIVE YEARS FINANCIAL HIGHLIGHTS

A summary of the results and the assets and liabilities of the Group for the last five financial periods is set out on page 116 of the annual report.

BUSINESS REVIEW

Funeral services and Eternity Gem

During the year ended 31 December 2016, the Group's Hong Kong funeral services recorded a revenue of approximately HK\$7,864,000 which was 29.04% higher than that of the corresponding period of approximately HK\$6,094,000 in 2015. During the year, revenues were mainly generated from sales of funeral packages, provision of management service and sales of the EGEM products, which transforms the cremated ash into durable memorial gem stone. The revenue from sales of funeral packages for the year ended 31 December 2016 was approximately HK\$3,190,000, which was 15.85% lower than that the corresponding period of last year of approximately HK\$3,791,000. The revenue from provision of management service for the year ended 31 December 2016 was approximately HK\$1,800,000, which was 71.92% higher than that the corresponding period of last year of approximately HK\$1,047,000.

EGEM gained popularity during the year and sales of EGEM increased 128.82% to approximately HK\$2,874,000 as compared with that of corresponding period of last year of approximately HK\$1,256,000 during the period as a result of exhibition, promotion programmes, cooperation with major local and overseas funeral service providers and pet shops. Following the recent government's new proposed policy on regulating columbarium in Hong Kong, preserving human ashes into gemstones will become more and more popular. Therefore, the Group believes that green burial will be a popular alternative to traditional burial for memorial of beloved one.

Media and entertainment business

The new operating segment of media and entertainment has just started in the mid of 2016 which recorded a segment loss of approximately HK\$3,836,000 for the year ended 31 December 2016 (year ended 31 December 2015: nil). The segment loss was mainly attributable to the one off non-cash item of share based payment of approximately HK\$3,001,000 in relation to shares issued to Keith Productions Limited during the year.

Funeral services and crematorium

Huaiji funeral parlour

Cremation business operation in Huaiji was performing steadily during the year ended 31 December 2016 and revenue during the year was approximately HK\$8,447,000, almost in line with last year corresponding period of approximately HK\$8,514,000. In order to maintain a high quality of service, the Group had improved the repair and maintenance works during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2016 is set out in note 15 to the consolidated financial statements.

SHARE ISSUED IN THE YEAR

Details of the Company's shares issued during the year ended 31 December 2016 are set out in note 26 to the consolidated financial statements.

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserve available for distribution to shareholders comprised contributed surplus and retained profit, if any. The Company had no reserves available for distribution as at 31 December 2016.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Chui Bing Sun (Chairman)
Mr. Dong Choi Chi, Alex
Mr. Yao Kan Shan

Independent Non-Executive Directors

Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick
Mr. Ting Kit Lun

In accordance with Clause 84 of the Bye-laws of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and shall be eligible for re-election. Accordingly, Mr. Dong Choi Chi, Alex, Mr. Siu Hi Lam, Alick and Mr. Yao Kan Shan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors of the Company has entered into a service contract with the Company for an initial term of one year from the date of appointment and is renewable each year thereafter, until terminated by not less than two months' notice in writing served by either party.

Each of the independent non-executive Directors of the Company has entered into a service contract with the Company for an initial term of one year from the date of appointment and is renewable each year thereafter, until terminated by not less than one month's notice in writing served by either party.

Save as disclosed above, none of the Directors offering themselves for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2016, the interests of the Directors and the chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the model code for Securities Transactions by Directors of Listed Issuers, were as follows:

Directors' Report

Interests in shares and underlying shares of the Company

Number of ordinary shares and underlying shares beneficially held

(A) Long positions

Name of Directors	Capacity	Notes	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of the issued share capital of the Company
Mr. Chui Bing Sun ("Mr. Chui")	Interest of a controlled corporation	1	149,472,498	–	149,472,498	18.04%
	Personal	2	1,800	1,052,820	1,054,620	0.13%
			149,474,298	1,052,820	150,527,118	18.17%
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Interest of a controlled corporation	3	120,300,000	–	120,300,000	14.52%
	Personal		1,000,000	–	1,000,000	0.12%
			121,300,000	–	121,300,000	14.64%
Mr. Yao Kan Shan	Personal	4	–	1,500,000	1,500,000	0.18%
Mr. Chan Wai Man	Personal	4	27,000	143,565	170,565	0.02%
Mr. Siu Hi Lam, Alick	Personal	4	–	119,638	119,638	0.01%

Notes:

- These shares are held by New Brilliant Investments Limited ("New Brilliant"), a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui, an executive Director of the Company.
- Mr. Chui had a personal interest in 1,800 shares and 1,052,820 underlying shares of the Company. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 1,052,820 shares at adjusted exercise price of HK\$4.175 per share.
- These shares are held by Heading Champion Limited a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Dong, an executive Director of the Company.
- For details of the underlying shares, please refer to the next section headed "share options" which stated all the details of share options granted to Directors.

Directors' Report

(B) Share Options

Pursuant to the new share options scheme adopted by the Company on 31 August 2011, certain Directors and participants were granted share options to subscribe for the Company's shares, details of share options outstanding and exercisable as at year ended 31 December 2016 were as follows:

Name/Category of participants	Number of share options				Outstanding and exercisable as at 31 December 2016	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year				
<i>Category 1: Directors</i>								
Mr. Chui	1,052,820	-	-	-	1,052,820	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Mr. Chan Wai Man	23,927	-	-	-	23,927	15 February 2008	15 February 2008 – 14 February 2018	HK\$6.892
	119,638	-	-	-	119,638	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Mr. Siu Hi Lam, Alick	119,638	-	-	-	119,638	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Mr. Yao Kan Shan	-	1,500,000	-	-	1,500,000	22 August 2016	22 August 2019 – 21 August 2026	HK\$0.211
Sub total	1,316,023	1,500,000	-	-	2,816,023			

Directors' Report

Name/Category of participants	Number of share options				Outstanding and exercisable as at 31 December 2016	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year				
<i>Category 2: Employees/consultants</i>								
Employee	38,284	-	-	-	38,284	15 February 2008	15 February 2008 – 14 February 2018	HK\$6.892
Employees	981,034	-	-	-	981,034	7 July 2010	7 July 2010 – 6 July 2020	HK\$1.784
Employee	153,137	-	-	-	153,137	12 August 2010	12 August 2010 – 11 August 2020	HK\$4.912
Employees	430,698	-	-	-	430,698	9 September 2010	9 September 2010 – 8 September 2020	HK\$4.791
Employees	765,686	-	-	-	765,686	13 September 2010	13 September 2010 – 12 September 2020	HK\$4.474
Employees	693,903	-	-	-	693,903	3 December 2010	3 December 2010 – 2 December 2020	HK\$4.455
Employee	1,196,386	-	-	-	1,196,386	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Employee	1,624,311	-	-	-	1,624,311	18 January 2013	18 January 2013 – 17 January 2023	HK\$1.102
Employees	-	1,900,000	-	-	1,900,000	11 April 2016	11 April 2019 – 10 April 2026	HK\$0.188
Consultant	382,843	-	-	-	382,843	14 December 2007	14 December 2007 – 13 December 2017	HK\$5.846
Consultant	555,122	-	-	-	555,122	12 August 2010	12 August 2010 – 11 August 2020	HK\$4.912
Consultant	135,430	-	-	-	135,430	6 September 2010	6 September 2010 – 5 September 2020	HK\$4.137
Consultant	1,052,820	-	-	-	1,052,820	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Consultant	-	4,500,000	-	-	4,500,000	11 April 2016	11 April 2017 – 10 April 2026	HK\$0.188
Sub total	8,009,654	6,400,000	-	-	14,409,654			
Total of all categories	9,325,677	7,900,000	-	-	17,225,677			

There were no share options cancelled, lapsed or forfeited during the year ended 31 December 2016.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at year ended 31 December 2016, the following shareholders (including Directors) had interests or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO"), were as follows:

Number of ordinary shares and underlying shares beneficially held

Name	Capacity	Notes	Number of shares	Number of underlying shares	Total number of shares and underlying shares held	Long/short position	Percentage of interests
New Brilliant	Beneficial owner	1	149,472,498	–	149,472,498	Long	18.04%
Mr. Chui	Interest of controlled corporations	1	149,472,498	–	149,472,498	Long	18.04%
	Personal	2	1,800	1,052,820	1,054,620	Long	0.13%
			149,474,298	1,052,820	150,527,118		18.17%
Heading Champion Limited	Beneficial owner	3	120,300,000	–	120,300,000	Long	14.52%
Mr. Dong	Interest of controlled corporations	3	120,300,000	–	120,300,000	Long	14.52%
	Personal		1,000,000	–	1,000,000	Long	0.12%
			121,300,000	–	121,300,000		14.64%
Mr. Chan Ping Che	Beneficial owner		97,390,000	–	97,390,000	Long	11.75%

Notes:

- These shares are held by New Brilliant, a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui.
- Mr. Chui had a personal interest in 1,800 shares and 1,052,820 underlying shares. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 1,052,820 shares at adjusted exercise price of HK\$4.175 per share.
- These shares are held by Heading Champion Limited, a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Dong.

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, the aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales and the aggregate purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the options holdings disclosed above, at no time during the year ended 31 December 2016 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Except for the continuing connected transactions as stated below, no contract of significance, to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2016 or at any time during the year.

CONTINUING CONNECTED TRANSACTIONS

The Company has carried out the following continuing connected transactions during the year:

On 16 January 2015, a management agreement (the "Management Agreement") was entered into between Sage Dignity Services Limited ("Sage Dignity"), a wholly-owned subsidiary of the Company, and Checkmate Capital Limited ("Checkmate"), a company wholly and beneficially owned by Mr. Chui, whereby Sage Dignity or its designated subsidiaries would provide strategic management and marketing strategy advisory services to the Reliance Group. The services include (i) strategy in expansion in other geographic locations and distribution network of the Reliance Group in PRC and overseas including Hong Kong; (ii) strategy in development of sales and marketing promotion plan, branding and customer loyalty program; and (iii) strategy in integration of the three cemeteries of the Reliance Group under a unified brand with the help of modernized management system.

The Management Agreement has an initial term of a period commencing from 17 February 2015 until 30 September 2017. During the year ended 31 December 2016, the contract amounts for the strategic management and marketing strategy advisory services under the Management Agreement are summarized as follows:

Management service fee from Checkmate:

Category	Contract Sum	Annual cap
	HK\$'000	HK\$'000
Management service fee	1,800	1,800

Details of the Management Agreement, transactions and annual caps for each of the three financial years ending 31 December 2017 are set out in the circular of the Company dated 31 December 2014.

The independent non-executive directors have reviewed the above continuing connected transactions and confirmed that the continuing connected transactions were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) in accordance with the relevant contract on terms that are fair and reasonable and in the interests of shareholders as a whole.

The Board has received a letter from the auditors of the Company confirming that nothing has come to their attention that the above continuing connected transactions:

- (i) have not received the approval of the Board;
- (ii) are not, in all material respects, in accordance with the pricing policies of the Group;
- (iii) have not been entered into, in all material respects, in accordance with the relevant contracts governing such transactions; and
- (iv) have exceeded their respective approved annual caps for the year.

Directors' Report

The Company has complied with the applicable requirements under Chapter 20 of the GEM Listing Rules in respect of continuing connected transactions engaged in by the Group.

The related party transactions are set out in note 32 to the financial statements. Apart from the continuing connected transactions disclosed above, the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 20 of the GEM Listing Rules that are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in note 2.16 to the consolidated financial statements.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year ended 31 December 2016.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

Mr. Dong Choi Chi, Alex ("Mr. Dong"), an executive Director of the Company, is the sole owner and director of Sun Entertainment Holdings Limited, which together with its subsidiaries, including Sun Entertainment Culture Limited, are principally engaged in investment holding, artist and model management, entertainment, sports, publishing and film and concert production and coordination. He is also an ultimate beneficial owner and a director of Sun Motion (Hong Kong) Limited, which is also engaged in investment holding, artist and model management, entertainment, sports, publishing and film and concert production and coordination. He is also a substantial shareholder and director of Sun Entertainment Concert Group Holdings Limited, which together with its subsidiaries are principally engaged in concert investment, production and coordination. He is also a substantial shareholder and a director of Sun Entertainment Film Group Holdings Limited, which together with its subsidiaries are principally engaged in film investment and production. Mr. Dong is also one of the ultimate beneficial owners and a director of Sun Asia Group Limited, which together with its subsidiaries are principally engaged in the media and entertainment related investment and production in Macau. Therefore, he is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the new businesses of the Group in the media and entertainment industry (as would be required to be disclosed under Rule 11.04 of the GEM Listing Rules).

Save as disclosed above, the Directors are not aware of any business or interest of each of the Directors, management shareholders (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with business of the Group or any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2016.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share options scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 27 to the consolidated financial statements.

COMMITMENTS

Details of operating leases commitment and capital commitment are set out in notes 30 and 31, respectively to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company maintained the allowable lower minimum prescribed public float under the GEM Listing Rules and shall comply with the public float requirement under Rule 11.23 of the GEM Listing Rules as stipulated under Rule 17.38A of the GEM Listing Rules.

DONATIONS

During the year ended 31 December 2016, the Group made charitable and other donations amounting to approximately HK\$65,000 (31 December 2015: HK\$15,000).

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers.

EVENTS AFTER THE REPORTING PERIOD

On 24 January 2017, Sunny Side Up (BVI) Limited, a wholly-owned subsidiary of the Company, entered into an investment agreement with Sun Entertainment Films Limited ("Sun Entertainment"), a company that wholly and beneficially owned by Mr. Dong Choi Chi, Alex, an executive Director and a substantial shareholder of the Company, to jointly invest in the production of a film named "Paradox". The investment is subject to approval by the Company's shareholders. Upon completion, the Company will issue 164,192,312 new shares of the Company to Sun Entertainment in exchange for 20% of the income right of the film.

On 24 March 2017, the Group issued 165,000,000 new ordinary shares at the placing price of HK\$0.16 per placing share to several independent third parties. The net proceeds from the placement is approximately HK\$25,506,000.

On behalf of the Board

Chui Bing Sun

Chairman

29 March 2017

Independent Auditor's Report



羅兵咸永道

To the Shareholders of Sage International Group Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Sage International Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 115, which comprise:

- the consolidated income statement for the year ended 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group 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.

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 matters identified in our audit are summarised as follows:

- Impairment assessment of operating rights in relation to the cremation business; and
- Share-based payment in relation to shares issued to Keith Productions Limited ("Keith Productions")

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Impairment assessment of operating rights in relation to the cremation business</p> <p>Refer to notes 4(a) and 16 to the consolidated financial statements.</p> <p>As at 31 December 2016, the carrying amount of operating rights in relation to the cremation business was approximately HK\$8,986,000. As required by HKAS 36 "Impairment of Assets", management performed annual impairment assessment on these operating rights with indefinite useful lives.</p> <p>We focused on this area because of the size of the balance and the significant judgements and assumptions made by the management in determining the recoverable amount of the operating rights.</p> <p>The recoverable amount of the operating rights for impairment assessment was determined based on discounted cash flow method. Key assumptions adopted in the cash flow forecast included:</p> <ul style="list-style-type: none"> • revenue growth rates; • operating margins; • long-term growth rate; and • discount rate. <p>Management concluded that no impairment provision for operating rights was necessary for the year ended 31 December 2016 as management believed that there was sufficient headroom between the recoverable amount and the carrying value of the operating rights.</p>	<p>Our procedures in relation to the management's impairment assessment of operating rights included:</p> <ul style="list-style-type: none"> • agreeing management's cash flow forecast to budgets approved by the Board of Directors, and discussing with management about the relevant factors that were considered in the preparation of this year's cash flow forecast; • assessing the reliability of management's budgets by comparing the actual results for the current year to prior year's budgets; • challenging management's assumptions used in the budgets and performed the following procedures: <ul style="list-style-type: none"> – comparing revenue growth rates and operating margins to historical performance; – benchmarking long-term growth rate against market data; and – assessing discount rate with reference to the cost of capital from our research data and benchmarking against comparable companies; and • challenging management on the adequacy of their sensitivity analysis over the recoverable amount of the operating rights to assess the potential impact of reasonably possible downside changes in the key assumptions. <p>Based on the above, we found the management's impairment assessment of operating rights were appropriate and supportable in light of the available evidence.</p>

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Share-based payment in relation to shares issued to Keith Productions Limited (“Keith Productions”)</p> <p>Refer to notes 4(b) and 17 to the consolidated financial statements</p> <p>On 19 August 2016, the Group subscribed 70% equity interest in Black Sesame Entertainment Co. Limited at a consideration of HK\$7,000,000, and the remaining 30% equity interest is owned by Keith Productions. The shares issued to Keith Productions are accounted for in accordance with HKFRS 2 “Shared-based Payment”.</p> <p>Management has determined the fair value of the equity instruments issued to Keith Productions based on discounted cash flow method, which is approximately HK\$3,001,000 at the grant date.</p> <p>We focused on this area due to the significant judgements and assumptions made by the management in determining the fair value of the equity instruments issued. Key assumptions adopted in the cash flow forecast included:</p> <ul style="list-style-type: none"> • revenue growth rates; • operating margins; • long-term growth rate; and • discount rate. 	<p>Our procedures in relation to the fair value determination of equity instruments issued to Keith Productions included:</p> <ul style="list-style-type: none"> • involving our internal valuation experts to understand and evaluate the valuation methodology adopted by management for determining the fair value and to assess the appropriateness of the discount rate; • discussing with management to understand their business plan and challenging their assumptions, including revenue growth rate, operating margins and long-term growth rate; • reviewing management’s sensitivity analysis over key assumptions, including long-term growth rate and discount rate, in order to assess the potential impact of a range of possible outcomes; and • comparing, on a sample basis, input data used to source documents, such as Board approved budgets, and considering the reasonableness of these budgets. <p>Based on the above, we found the judgements and assumptions made by management in determining the fair value of the equity instruments issued were supportable by the available evidence.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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 DIRECTORS AND 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 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.

AUDITOR'S 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 auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the 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 HKSAs 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 HKSAs, we exercise professional judgment and maintain professional scepticism 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 auditor's 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 auditor's 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.

Independent Auditor's Report

- 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 the 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.

We also provide the 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 the 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 auditor's 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 partner on the audit resulting in this independent auditor's report is Lai Pui Ling Sandra.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 March 2017

Consolidated Income Statement

For the year ended 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Continuing operations			
Revenue	5	16,287	14,608
Cost of sales	7	(6,298)	(6,261)
Gross profit			
		9,989	8,347
Other income	6(a)	5,173	1,124
Other losses, net	6(b)	–	(377)
Sales and marketing expenses	7	(3,938)	(4,001)
Administrative expenses	7	(29,147)	(28,558)
Operating loss			
		(17,923)	(23,465)
Finance income	11	–	4
Finance costs	11	–	(796)
Loss before taxation			
	7	(17,923)	(24,257)
Income tax expense	12	(291)	(100)
Loss for the year from continuing operations			
		(18,214)	(24,357)
Discontinued operations			
Profit for the year from discontinued operations	22	–	4,155
Loss for the year			
		(18,214)	(20,202)
(Loss)/profit attributable to:			
Owners of the Company		(17,293)	(21,336)
Non-controlling interests		(921)	1,134
		(18,214)	(20,202)
(Loss)/profit attributable to owners of the Company arises from:			
Continuing operations		(17,293)	(24,473)
Discontinued operations		–	3,137
		(17,293)	(21,336)

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

Consolidated Income Statement*For the year ended 31 December 2016*

	Note	2016	2015
(Loss)/earnings per share from continuing and discontinued operations attributable to owners of the Company for the year (expressed in HK\$ per share)	14		
Basic (loss)/earnings per share			
From continuing operations		(0.02)	(0.04)
From discontinued operations		–	0.01
From loss for the year		(0.02)	(0.03)
Diluted (loss)/earnings per share			
From continuing operations		(0.02)	(0.04)
From discontinued operations		–	0.01
From loss for the year		(0.02)	(0.03)

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
Loss for the year	(18,214)	(20,202)
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(600)	(2,020)
Release of exchange reserve upon disposal of subsidiaries	–	(21,506)
Lapse of option deed	(19)	–
Total comprehensive loss for the year	(18,833)	(43,728)
Total comprehensive (loss)/profit for the year attributable to:		
Owners of the Company	(17,922)	(44,144)
Non-controlling interests	(911)	416
	(18,833)	(43,728)
Total comprehensive loss attributable to owners of the Company arises from:		
Continuing operations	(17,922)	(23,791)
Discontinued operations	–	(20,353)
	(17,922)	(44,144)

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

Consolidated Statement of Financial Position

At 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	15	18,622	10,310
Intangible assets	16	10,486	12,307
Available-for-sale financial assets	18	7,769	–
Deposits	20	450	145
		37,327	22,762
Current assets			
Inventories	19	294	184
Trade and other receivables	20	2,437	2,489
Available-for-sale financial assets	18	3,254	–
Restricted cash	21	–	316
Cash and cash equivalents	21	22,615	34,657
		28,600	37,646
Total assets		65,927	60,408
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	26	20,715	17,265
Other reserves	28	301,943	286,777
Accumulated losses		(281,169)	(263,876)
		41,489	40,166
Non-controlling interests		6,872	4,782
Total equity		48,361	44,948

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

Consolidated Statement of Financial Position

At 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Liabilities			
Non-current liabilities			
Deferred income	24(b)	2,484	1,858
Deferred income tax liabilities	25	2,247	2,401
		4,731	4,259
Current liabilities			
Trade payables	23	236	133
Other payables and accruals	24(a)	6,211	4,398
Income tax payables		6,076	6,458
Deferred income	24(b)	312	212
		12,835	11,201
Total liabilities		17,566	15,460
Total equity and liabilities		65,927	60,408

The consolidated financial statements on pages 46 to 115 were approved by the Board of Directors on 29 March 2017 and were signed on its behalf.

Chui Bing Sun
Director

Dong Choi Chi, Alex
Director

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

Consolidated Statement of Changes In Equity

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital HK\$'000 (Note 26)	Share premium HK\$'000	Contributed surplus HK\$'000 (Note 28)	Exchange reserve HK\$'000	Option deed HK\$'000	Share-based payment reserve HK\$'000 (Note 27)	Convertible bonds equity reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2015	4,441	128,187	31,713	23,604	19	222,528	28,609	(457,548)	(18,447)	152,468	134,021
Loss for the year	-	-	-	-	-	-	-	(21,336)	(21,336)	1,134	(20,202)
Other comprehensive loss for the year											
Exchange differences on translation of foreign operations	-	-	-	(1,302)	-	-	-	-	(1,302)	(718)	(2,020)
Release of exchange reserve upon disposal of subsidiaries	-	-	-	(21,506)	-	-	-	-	(21,506)	-	(21,506)
Total comprehensive loss for the year	-	-	-	(22,808)	-	-	-	(21,336)	(44,144)	416	(43,728)
Issue of shares upon placement	1,750	11,820	-	-	-	-	-	-	13,570	-	13,570
Issue of shares upon open offer	8,881	60,306	-	-	-	-	-	-	69,187	-	69,187
Issue of shares upon conversion of convertible bonds	2,193	39,596	-	-	-	(21,789)	-	-	20,000	-	20,000
Disposal of subsidiaries	-	-	-	-	-	(186,399)	(28,609)	215,008	-	(148,102)	(148,102)
At 31 December 2015	17,265	239,909	31,713	796	19	14,340	-	(263,876)	40,166	4,782	44,948
At 1 January 2016	17,265	239,909	31,713	796	19	14,340	-	(263,876)	40,166	4,782	44,948
Loss for the year	-	-	-	-	-	-	-	(17,293)	(17,293)	(921)	(18,214)
Other comprehensive loss for the year											
Exchange differences on translation of foreign operations	-	-	-	(610)	-	-	-	-	(610)	10	(600)
Lapse of option deed	-	-	-	-	(19)	-	-	-	(19)	-	(19)
Total comprehensive loss for the year	-	-	-	(610)	(19)	-	-	(17,293)	(17,922)	(911)	(18,833)
Issue of shares upon placement	3,450	15,360	-	-	-	-	-	-	18,810	-	18,810
Equity-settled share options arrangement	-	-	-	-	-	435	-	-	435	-	435
Incorporation of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	3,001	3,001
At 31 December 2016	20,715	255,269	31,713	186	-	14,775	-	(281,169)	41,489	6,872	48,361

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

Consolidated Statement of Cash Flows

For the year Ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
Operating activities		
Loss before taxation including discontinued operations	(17,923)	(13,579)
Adjustments for:		
Depreciation of property, plant and equipment	1,998	2,072
Amortisation of cemetery assets use rights	–	1,090
Amortisation of deferred income	(269)	(165)
Impairment loss on goodwill	–	396
Impairment loss on intangible assets	1,200	–
Impairment loss on property, plant and equipment	–	980
Write-off of property, plant and equipment	–	210
Equity-settled share option expenses	435	–
Share-based payment expenses	3,001	–
Fair value changes on financial instruments	–	1,742
Loss/(gain) on disposal of property, plant and equipment	47	(10)
Gain on disposal of subsidiaries	–	(11,725)
Finance income	–	(4)
Finance costs	–	858
Income tax paid	(293)	(100)
Operating cash flows before movements in working capital	(11,804)	(18,235)
(Increase)/decrease in inventories	(112)	98
(Increase)/decrease in trade and other receivables	(280)	8,006
Decrease/(increase) in restricted cash	316	(10)
Increase/(decrease) in trade payables	129	(511)
Increase/(decrease) in other payables and accruals	1,845	(12,192)
Increase in deferred income	1,161	786
Cash used in operations	(8,745)	(22,058)
Interest received	–	4
Interest paid	–	(796)
Net cash used in operations	(8,745)	(22,850)

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

Consolidated Statement of Cash Flows

For the year Ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
Investing activities		
Proceeds from disposal of property, plant and equipment	–	15
Disposal of subsidiaries	–	(3,264)
Purchase of property, plant and equipment	(11,042)	(1,359)
Investments in available-for-sale financial assets	(11,023)	–
Net cash used in investing activities	(22,065)	(4,608)
Financing activities		
Proceeds from placement of shares, net of issuance costs	18,810	13,570
Proceeds from open offer, net of issuance costs	–	69,187
Repayment of other borrowings	–	(32,000)
Net cash generated from financing activities	18,810	50,757
Net (decrease)/increase in cash and cash equivalents	(12,000)	23,299
Cash and cash equivalents at beginning of the year	34,657	11,461
Effects of foreign exchange rate changes, net	(42)	(103)
Cash and cash equivalents at end of the year	22,615	34,657

Major Non-Cash Transactions

The Group has the following major non-cash transaction:

- (i) During the year ended 31 December 2015, the Group has disposed its interests in Reliance Group (as defined in Note 22) and the consideration were satisfied by settlement of convertible bonds and its accrued interest with a fair value as at disposal date of HK\$127,975,000 and settlement of loan from a director of HK\$10,000,000. Further details are set out in Note 22 to the consolidated financial statements.

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

Notes to the Consolidated Financial Statements

1 CORPORATE INFORMATION

Sage International Group Limited (the “Company”) was incorporated in the Cayman Islands on 12 July 2001 and continued in Bermuda as an exempted company with limited liability under the Companies Law of Bermuda.

The Company’s shares were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 2 November 2001. The registered office is Clarendon House, 2 Church Street, Hamilton HM11 Bermuda and its principal place of business is 10/F, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in Note 17 to the consolidated financial statements.

These financial statements are presented in Hong Kong dollars (“HK\$”) which is the functional currency of the Company. These financial statements have been approved for issue by the Board of Directors on 29 March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and requirements of the Hong Kong Companies ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to consolidated financial statements, are disclosed in Note 4.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New standards and amendments to standards adopted by the Group

The following new standards and amendments to standards are mandatory for financial year beginning on or after 1 January 2016. The adoption of these new standards and amendments to standards does not have any significant impact to the results and financial position of the Group.

Amendment 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
Amendment to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts
Amendment to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements 2012-2014 cycle

(b) New standards and amendments to standards that have been issued but are not effective

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2016, and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendment to HKAS 7	Disclosure Initiative	1 January 2017
Amendment to HKAS 12	Recognition of Deferred Tax Assets For Unrealised Losses	1 January 2017
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendment to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendment to HKFRS 15	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group has already commenced an assessment of the related impact of adopting the new standards and amendments to standards but it is not yet in a position to state whether they will have a significant impact on its results of operations and financial position. The Group plans to adopt these new standards and amendments to standards when they become mandatory.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in the income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

(a) Consolidation *(Continued)*

(i) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and senior management, collectively, that makes strategic decisions.

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in HK dollars ("HK\$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance costs'. All other foreign exchange gains and losses are presented in the income statement within 'other losses – net'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currencies *(Continued)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Buildings	3 $\frac{1}{3}$ % – 10%
Leasehold improvements	20%
Machinery	5% – 10%
Furniture and equipment	20% – 33 $\frac{1}{3}$ %
Motor vehicles	10% – 33 $\frac{1}{3}$ %

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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 (Note 2.7).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Impairment is determined by assessing the recoverable amount, which is the higher of value-in-use and the fair value less costs to sell, of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(b) Operating rights

Separately acquired operating rights are shown at historical cost. Operating rights acquired in a business combination are recognised at fair value at the acquisition date. Operating rights with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such operating rights are not amortised. The useful life of an operating right with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Intangible assets *(Continued)*

(c) Club membership

Club membership is stated at cost less accumulated impairment losses, if any. Club membership which is intended to be held on a continuing basis is classified as non-current asset.

(d) Software license

Software license represents the costs of acquiring operating rights for accounting software. Software license is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

2.7 Impairment of non-financial assets

Where an indication of impairment exists or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value-in-use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but 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 an impairment loss is credited to the income statement in the period in which it arises.

2.8 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Discontinued operations *(Continued)*

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

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables include trade and other receivables and cash and cash equivalents.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets represent investments in concerts and film right by the Group.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when (i) the rights to receive cash flows from the asset have expired; or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.11 Impairment of financial assets

(a) Financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

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 (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Impairment of financial assets *(Continued)*

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted-average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with banks.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Current and deferred income tax *(Continued)*

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the places where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Current and deferred income tax *(Continued)*

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

(a) Pension schemes

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 5% of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the statement of financial position. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Share-based payment transactions

(a) Share options scheme

The Company operates a share options scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees and others providing similar services is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer or the management using a binomial option pricing model:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to stay).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Share-based payment transactions *(Continued)*

(a) Share options scheme *(Continued)*

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of loss per share.

(b) Share-based payment to a director of a subsidiary

A subsidiary of the Company has granted shares to its director during the year. The fair value of the equity instruments granted, measured by reference to the grant date fair value of the subsidiary, is recognised in the income statement during the year as share-based payment expenses, with a corresponding credit to equity in the subsidiary's entity accounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Provisions

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

The amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "finance costs" in the consolidated income statement.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services rendered, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Rendering of funeral and cremation services

The Group renders services including cremation, funeral arrangement and funeral services in funeral parlours and funeral service centres. For sales of services, revenue is recognised in the accounting period in which the services are rendered.

(b) Management service

Management service income from managing cemeteries is recognised in the income statement on a straight-line basis over the term of the arrangement.

(c) Preneed funeral plan

The Group enters into prepaid contracts to provide funeral services in the future and funds received are placed in trust and are not recognised as revenue (other than handling charge) until the service is performed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Revenue recognition *(Continued)*

(d) Sales of Eternity Gem products

The sales of Eternity Gem products, which use part of the ashes of loved one to turn into Eternity Gem as home accessories and personal ornament, and the remaining ashes is stored at a columbarium, are recognised upon (i) the Group has transferred the Eternity Gem products to the customers, (ii) the customers have acknowledged the receipts of the Eternity Gem products, and (iii) the collectability of the related receivables is reasonably assured.

(e) Investments in media and entertainment related projects

The Group enters into investment contracts for concerts and film right. Net income is derived from investment organised by other co-investors, when the events are completed and in proportion as agreed with co-investors.

2.21 Interest income

Interest income is recognised, on an accrual basis, using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.22 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.23 Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases.

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge its risk exposures.

(a) Foreign currency risk

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group currently does not have a foreign currency policy to hedge its currency exposure arising from the net assets of the Group's foreign operations. Otherwise, the Group had no material exposure to foreign exchange risk as majority of the Group's assets were denominated in its functional currency of either HK\$ or Renminbi ("RMB").

(b) Credit risk

The Group's principal financial assets include trade and other receivables and cash and cash equivalents. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2016 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the majority of cash are placed at banks that are listed.

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group's primary cash requirements have been for capital investments and repayment of related debts. The Group finances its working capital requirements primarily through funds generated from operations and funds raising activities in the public market.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year or repayable on demand HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
31 December 2016				
Trade payables	236	–	–	236
Other payables	3,144	–	–	3,144
	3,380	–	–	3,380
31 December 2015				
Trade payables	133	–	–	133
Other payables	2,647	–	–	2,647
	2,780	–	–	2,780

3.2 Capital risk management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any external imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)***3.2 Capital risk management** *(Continued)*

The Group monitors capital using a gearing ratio, which is the total liabilities (excluding disposal group) divided by the equity attributable to owners of the Company. The gearing ratios as at 31 December 2016 and 31 December 2015 were as follows:

	2016	2015
	HK\$'000	HK\$'000
Current liabilities	12,835	11,201
Non-current liabilities	4,731	4,259
Total liabilities	17,566	15,460
Equity attributable to owners of the Company	41,489	40,166
Gearing ratio	42.3%	38.5%

3.3 Fair value of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The available-for-sale financial assets are measured at fair value based on level 3 to determine their fair values.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value of financial instruments *(Continued)*

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
31 December 2016				
Assets				
Available-for-sale financial assets	–	–	11,023	11,023
31 December 2015				
Assets				
Available-for-sale financial assets	–	–	–	–

The available-for-sale financial assets represent the investments in concerts and film right. For investments in concerts, the fair value is determined with reference to the net profit or loss generated from the concerts according to the Group's investment proportion. For the investment in film right, the fair value is determined based on the budget of the film.

There were no transfers among different categories during the year.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The following table presents the changes in level 3 instruments for the year ended 31 December 2016:

	Available-for-sale financial assets HK\$'000
Opening balance	–
Acquisition during the year	11,047
Losses recognised in the consolidated statement of profit or loss	(24)
Closing balance	11,023
Total losses for the year including in the consolidated statement of profit or loss	(24)

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets including goodwill are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the assets or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) Valuation of share-based payment to a director

The fair value determination of the share-based payment to a director requires significant management judgement in determining the value of the shares granted. Where the outcome of the key assumptions is different, such difference will impact the consolidated income statement in the future period.

(c) Share option

The valuation of the fair value of the share option granted requires judgement in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the option and the number of share options that are expected to vest. Where the outcome of the number of option that are vested is different, such difference will impact the consolidated income statement in the subsequent remaining vesting period of the relevant share options.

(d) Current and deferred income tax

The Group is subject to income taxes in the People's Republic of China ("PRC") and other jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. 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 income tax provisions in the period in which such determination is made.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(d) **Current and deferred income tax** *(Continued)*

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors and senior management collectively. They review the Group's internal reporting in order to assess performance and allocate resources.

The Group started to engage in media and entertainment business during the year. As the business nature of the media and entertainment business is different from the deathcare related business, the executive directors and senior management determine to change the operating segments from a geographic location perspective to a business nature perspective.

No comparative figures of 2015 is presented since there was no operation related to media and entertainment business involved for the year ended 31 December 2015.

The Group is organised into two operating and reportable segments as follows:

Funeral services – provision of funeral services and deathcare related business

Media and entertainment business – focus on concert related projects, live events and film rights, etc.

The executive directors and senior management assess the performance of segments based on a measure of segment results before finance costs, financial income and unallocated corporate income and expenses.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, deposits, trade and other receivables, available-for-sale financial assets and operating cash but exclude certain property, plant and equipment, club membership, deposits and other receivables and cash related to neither segment.

Segment liabilities comprise operating liabilities but exclude certain other payables and accruals and income tax payables related to neither segment.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION *(Continued)*

The segment results and other segment items for the year ended 31 December 2016 are as follows:

	Funeral services HK\$'000	Media and entertainment HK\$'000	Total HK\$'000
Segment revenue:			
Sales from external customers	16,311	–	16,311
Net loss from investments in media and entertainment related projects	–	(24)	(24)
	16,311	(24)	16,287
Segment results	(8,459)	(3,836)	(12,295)
Unallocated corporate expenses, net			(5,628)
Loss before taxation			(17,923)
Segment assets	23,054	18,315	41,369
Property, plant and equipment for corporate Club membership			6,787 1,500
Prepayments, deposits and other receivables			1,593
Cash and cash equivalents			14,678
Total assets			65,927
Segment liabilities	(7,187)	(75)	(7,262)
Other payables and accruals			(4,263)
Income tax payables			(6,041)
Total liabilities			(17,566)
Other segment information:			
Depreciation and amortisation	1,266	12	1,278
Corporate depreciation and amortisation	–	–	720
Impairment loss on intangible assets	–	–	1,200
Impairment of other receivables	–	–	291
Capital expenditure	3,256	297	3,553
Corporate capital expenditure	–	–	7,489

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

The segment results and other segment items for the year ended 31 December 2015 are as follows:

	Funeral services HK\$'000	Media and entertainment HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	14,608	–	14,608
Segment results			
	(7,661)	–	(7,661)
Unallocated corporate expenses, net			(15,804)
Finance income			4
Finance costs			(796)
Loss before taxation			(24,257)
Segment assets			
	25,586	–	25,586
Property, plant and equipment for corporate Club membership			18
Prepayments, deposits and other receivables			2,700
Cash and cash equivalents			1,784
			30,320
Total assets			
			60,408
Segment liabilities			
	(7,088)	–	(7,088)
Other payables and accruals			(1,914)
Income tax payables			(6,458)
Total liabilities			
			(15,460)
Other segment information:			
Depreciation and amortisation	1,796	–	1,796
Corporate depreciation and amortisation	–	–	2
Impairment of property, plant and equipment	980	–	980
Impairment of goodwill	–	–	396
Impairment of other receivables	–	–	9,860
Capital expenditure	1,342	–	1,342
Corporate capital expenditure	–	–	17

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION *(Continued)*

A breakdown of the revenue from all services and products from continuing operation is as follows:

	2016	2015
	HK\$'000	HK\$'000
Rendering of funeral, cremation and preneed services	11,637	12,305
Sales of Eternity Gem products	2,874	1,256
Management service fee	1,800	1,047
Net loss from investments in media and entertainment related projects	(24)	–
	16,287	14,608

The Group has a major customer which accounts for 11% (2015: 7%) of the total revenue of the Group for the year ended 31 December 2016. The Group does not have any major customer which accounts for 10% or more of the total revenue of the Group for the year ended 31 December 2015.

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong is HK\$7,864,000 (2015: HK\$6,094,000) and total revenue from external customers in Mainland China is HK\$8,447,000 (2015: HK\$8,514,000).

6 OTHER INCOME AND OTHER LOSSES, NET

The Group's other income and other losses, net are analysed as follows:

(a) Other income

	2016	2015
	HK\$'000	HK\$'000
Rental income	105	420
Reversal of provision for impairment of other receivable	4,500	–
Sundry income	568	704
	5,173	1,124

Notes to the Consolidated Financial Statements

6 OTHER INCOME AND OTHER LOSSES, NET *(Continued)*

(b) Other losses, net

	2016	2015
	HK\$'000	HK\$'000
Gain on disposal of a subsidiary (i)	–	6
Fair value changes on convertible bonds measured as share-based payment transactions	–	(383)
	–	(377)

Note:

- (i) During the year ended 31 December 2015, Solar Finance Limited, one of the Company's wholly owned subsidiaries, was disposed of at a consideration of HK\$100,000 to Computech Online Limited, a company wholly owned by Mr. Chui Bing Sun ("Mr. Chui"), an Executive Director and Chairman of the Board. The share transfer was completed on 31 March 2015.

On the date of disposal, the net asset value of Solar Finance Limited was HK\$94,000 which approximated its fair value. The transaction represents a related party transaction which has been disclosed in Note 32.

7 LOSS BEFORE TAXATION

Loss before taxation is stated after crediting and charging the following:

	2016	2015
	HK\$'000	HK\$'000
Cost of inventories recognised as expense	880	483
Employees benefits expenses (Note 8)	15,176	10,777
Depreciation of property, plant and equipment	1,998	1,798
Impairment of property, plant and equipment	–	980
Impairment of goodwill	–	396
Impairment of intangible assets	1,200	–
Impairment of other receivables	291	9,860
Auditors' remuneration		
– Audit services	1,100	1,000
– Non-audit services	–	250
Minimum lease payments under operating leases in respect of land and buildings	4,586	1,999

Notes to the Consolidated Financial Statements

8 EMPLOYEES BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2016	2015
	HK\$'000	HK\$'000
Salaries and other benefits	11,150	10,054
Pension schemes contributions	590	723
Share-based payment expenses	3,436	–
	15,176	10,777

(a) Pensions – defined contribution plans

There is no forfeited contributions available at the year-end to reduce future contributions (2015: Nil).

Contributions totalling HK\$18,000 (2015: HK\$13,500) were payable to the fund at the year-end.

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include any director. The five highest paid employees during the year ended 31 December 2015 included one director, details of whose remuneration are set out in Note 10. Details of the remuneration of the five (2015: four) highest paid employees who are not directors for the year are as follows:

	2016	2015
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	2,925	2,674
Performance related bonuses	271	138
Pension schemes contributions	86	63
	3,282	2,875

Notes to the Consolidated Financial Statements

9 FIVE HIGHEST PAID EMPLOYEES (*Continued*)

There are five (2015: four) highest paid employees who are not directors and whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
Nil – HK\$1,000,000	4	3
HK\$1,000,001 – HK\$1,500,000	1	1
	5	4

10 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G))

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2016:

Name	Fees HK\$'000 (Note a)	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated money value of other benefits HK\$'000 (Note b)	Employer's contribution to a retirement benefit scheme HK\$'000	Remunerations paid or receivable in respect of accepting office as director HK\$'000	Total HK\$'000
<i>Chairman</i>								
Mr. Chui Bing Sun	-	180	-	-	-	9	-	189
<i>Executive directors</i>								
Mr. Dong Choi Chi, Alex	-	180	-	-	-	9	-	189
Mr. Yao Kan Shan	-	180	-	-	25	9	-	214
<i>Independent non-executive directors</i>								
Mr. Chan Wai Man	180	-	-	-	-	-	-	180
Mr. Siu Hi Lam, Alick	180	-	-	-	-	-	-	180
Mr. Ting Kit Lun	180	-	-	-	-	-	-	180
	540	540	-	-	25	27	-	1,132

Notes to the Consolidated Financial Statements

10 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G)) (Continued)

(a) Directors' emoluments (Continued)

Notes:

- (a) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.
- (b) Other benefits include leave pay, share option, insurance premium

For the year ended 31 December 2015:

Name	Fees HK\$'000 (Note a)	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated money value of other benefits HK\$'000 (Note b)	Employer's contribution to a retirement benefit scheme HK\$'000	Remunerations paid or receivable in respect of accepting office as director HK\$'000	Total HK\$'000
<i>Chairman</i>								
Mr. Chui Bing Sun	-	310	-	-	19	11	-	340
<i>Executive directors</i>								
Mr. Kwok Kwan Hung (d)	-	93	338	-	-	5	-	436
Mr. Dong Choi Chi, Alex (c)	-	120	-	-	-	6	-	126
Mr. Yao Kan Shan (c)	-	120	-	-	-	6	-	126
<i>Independent non-executive directors</i>								
Mr. Chan Wai Man	180	-	-	-	-	-	-	180
Mr. Law Yee Man, Thomas (e)	141	-	-	-	-	-	-	141
Mr. Siu Hi Lam, Alick	180	-	-	-	-	-	-	180
Mr. Ting Kit Lun (f)	40	-	-	-	-	-	-	40
	541	643	338	-	19	28	-	1,569

Notes:

- (a) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.
- (b) Other benefits include leave pay, share option, insurance premium
- (c) Appointed on 4 May 2015
- (d) Resigned on 4 May 2015
- (e) Resigned on 12 October 2015
- (f) Appointed on 12 October 2015

10 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G)) *(Continued)*

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2015: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2016, the Company did not pay consideration to any third parties for making available directors' services (2015: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2016, there was no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2015: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Save for the related party transactions as disclosed in note 32, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

During the year ended 31 December 2015, save for the disposal of Reliance Group as disclosed in note 22 and the related party transactions as disclosed in note 32, no other significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2015.

Notes to the Consolidated Financial Statements

11 FINANCE INCOME AND COSTS

The Group's finance income and costs are analysed as follows:

	2016	2015
	HK\$'000	HK\$'000
Interest on:		
– Other borrowings	–	(721)
– Convertible bonds	–	(75)
Total finance costs	–	(796)
Finance income:		
– Interest income on short-term bank deposits	–	4
Total finance income	–	4
Net finance costs	–	(792)

12 INCOME TAX EXPENSE

	2016	2015
	HK\$'000	HK\$'000
Current income tax		
Current income tax for the year	189	100
Under-provision of prior years	102	–
Income tax expense	291	100

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the year (2015: Nil).

Notes to the Consolidated Financial Statements

12 INCOME TAX EXPENSE (Continued)

The PRC subsidiaries are subject to the PRC corporate income tax at 25% (2015: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

A reconciliation of the tax expense applicable to loss before taxation at the statutory rates for the countries (or jurisdictions) in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	2016	2015
	HK\$'000	HK\$'000
Loss before taxation	(17,923)	(24,257)
Tax calculated at domestic tax rates applicable to profits in the respective countries	(2,309)	(2,867)
Income not subject to tax	(71)	(59)
Expenses not deductible for tax	950	1,869
Others	17	51
Under-provision of previous year	102	–
Tax losses for which no deferred income tax asset was recognised	1,602	1,106
	291	100
Income tax expense	291	100

13 DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

14 (LOSS)/EARNINGS PER SHARE**(a) Basic**

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit from continuing and discontinued operations attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

On 8 June 2016, the Company issued 138,000,000 new ordinary shares through a share placement. The placing price was HK\$0.14 per share and represented a discount to the market price of the then existing shares. The weighted average number of shares used for current year calculations of loss per share has been adjusted for the bonus element implicit in the discount.

Notes to the Consolidated Financial Statements

14 (LOSS)/EARNINGS PER SHARE (Continued)

(a) Basic (Continued)

On 31 March 2015, the Company issued 87,719,298 new ordinary shares upon exercise of the conversion rights by the bondholder.

On 17 February 2015, the Company issued 70,000,000 and 355,257,598 new ordinary shares through a share placement and an open offer to all existing shareholders respectively. The placing price and subscription price was HK\$0.20 per share and represented a discount to the market price of the then existing shares. The weighted average number of shares used for last year calculations of loss per share has been adjusted for the bonus element implicit in the discount.

	2016	2015
	HK\$'000	HK\$'000
Loss from continuing operations attributable to owners of the Company	(17,293)	(24,473)
Profit from discontinued operations attributable to owners of the Company	–	3,137
	(17,293)	(21,336)
Weighted average number of ordinary shares in issue (in thousands)	784,550	652,305

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category (2015: one) of dilutive potential ordinary shares: share options (2015: share options). For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share.

The dilutive potential ordinary shares in respect of the Company's outstanding share options for the year ended 31 December 2016 and 2015 are anti-dilutive.

Notes to the Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Construction in progress	Machinery	Furniture and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost							
At 1 January 2015	11,586	2,693	108	2,834	390	2,302	19,913
Additions	93	429	75	552	26	184	1,359
Disposals	-	-	-	-	-	(572)	(572)
Impairment (i)	-	(2,389)	-	(252)	(177)	-	(2,818)
Write off	-	(305)	-	-	-	-	(305)
Transfer	-	-	(181)	-	181	-	-
Exchange realignment	(687)	(10)	(2)	(134)	(10)	(28)	(871)
At 31 December 2015	10,992	418	-	3,000	410	1,886	16,706
Additions	29	4,417	-	1,132	1,865	3,599	11,042
Disposals	-	-	-	-	-	(128)	(128)
Exchange realignment	(794)	(103)	-	(210)	(15)	(30)	(1,152)
At 31 December 2016	10,227	4,732	-	3,922	2,260	5,327	26,468
Accumulated depreciation and impairment							
At 1 January 2015	4,358	1,110	-	928	175	902	7,473
Charge for the year	370	525	-	476	44	383	1,798
Impairment (i)	-	(1,514)	-	(178)	(146)	-	(1,838)
Write off	-	(95)	-	-	-	-	(95)
Disposals	-	-	-	-	-	(567)	(567)
Exchange realignment	(314)	-	-	(45)	(3)	(13)	(375)
At 31 December 2015	4,414	26	-	1,181	70	705	6,396
Charge for the year	365	75	-	414	103	1,041	1,998
Disposals	-	-	-	-	-	(81)	(81)
Exchange realignment	(384)	-	-	(66)	(5)	(12)	(467)
At 31 December 2016	4,395	101	-	1,529	168	1,653	7,846
Net carrying amounts:							
At 31 December 2016	5,832	4,631	-	2,393	2,092	3,674	18,622
At 31 December 2015	6,578	392	-	1,819	340	1,181	10,310

Note:

- (i) During the year ended 31 December 2015, due to the change in market conditions and losses suffered by the funeral services business in Hong Kong, impairment charges of HK\$980,000 were made which was determined from value in use calculation based on a discount rate of 15.5% and a cash flow projection derived from estimated earnings to be generated in the future periods.

Notes to the Consolidated Financial Statements

16 INTANGIBLE ASSETS

	Goodwill HK\$'000	Operating rights HK\$'000	Club membership HK\$'000	Total HK\$'000
Cost				
At 1 January 2015	825	10,146	2,900	13,871
Exchange realignment	–	(539)	–	(539)
At 31 December 2015	825	9,607	2,900	13,332
Exchange realignment	–	(621)	–	(621)
At 31 December 2016	825	8,986	2,900	12,711
Accumulated amortisation and impairment				
At 1 January 2015	429	–	200	629
Impairment loss (i)	396	–	–	396
At 31 December 2015	825	–	200	1,025
Impairment loss (ii)	–	–	1,200	1,200
At 31 December 2016	825	–	1,400	2,225
Net carrying amounts:				
At 31 December 2016	–	8,986	1,500	10,486
At 31 December 2015	–	9,607	2,700	12,307

Notes:

- (i) During the year ended 31 December 2015, due to the change in market conditions and losses suffered by the funeral services business in Hong Kong, impairment charges of HK\$396,000 were made which was determined from value in use calculation.
- (ii) The carrying amount of club membership has been reduced to its recoverable amount through recognition of an impairment loss of HK\$1,200,000 in the administrative expenses for the year ended 31 December 2016.

Notes to the Consolidated Financial Statements

17 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2016 and 2015:

Name of subsidiary	Place of incorporation/ establishment, registration and operations	Issued ordinary/ paid up registered capital	Percentage of equity attributable to the Company		Principal activities and place of operation (v)
			2016 %	2015 %	
Black Sesame Entertainment Co. Limited ("Black Sesame") (iv)	Hong Kong ("HK"), limited liability company	HK\$10,001,001	70	–	Production of drama and musical performance, artist management and music intellectual property rights management
Grand Creation Investments Limited ("Grand Creation") (i)	British Virgin Islands ("BVI"), limited liability company	United States dollars ("US\$") 1	100	100	Investment holding for a BVI entity
Grand Rich (Asia) Company Limited	HK, limited liability company	HK\$100	100	100	Holding a club membership
Luck Point Investments Limited	BVI, limited liability company	US\$200	100	100	Investment holding for a PRC entity
Sage Dignity Services Limited	HK, limited liability company	HK\$100	100	100	Provision of administrative services
Sage Eternity Gem Services Limited	HK, limited liability company	HK\$1	100	100	Selling of eternity gem products
Sage Funeral Services Limited	HK, limited liability company	HK\$17	100	100	Operation of funeral business
Sage International Group Corporation (Formerly known as Billion Station Limited) (i)	BVI, limited liability company	US\$10,000	100	100	Investment holding for HK and BVI entities
Sage Preneed Services Limited	HK, limited liability company	HK\$1	100	100	Provision of preneed funeral services
Sun Entertainment Services Limited	HK, limited liability company	HK\$1	100	–	Provision of administrative services
Sun Entertainment Asia Limited	HK, limited liability company	HK\$1	100	–	Investment in concert projects

Notes to the Consolidated Financial Statements

17 SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment, registration and operations	Issued ordinary/ paid up registered capital	Percentage of equity attributable to the Company		Principal activities and place of operation (v)
			2016	2015	
			%	%	
Sunny Side Up (BVI) Limited (i)	BVI, limited liability company	US\$100	100	–	Investment holding for a HK entity
Sunny Side Up (Never) Limited	HK, limited liability company	HK\$100	100	–	Investment in film rights
Winning Spotlight Limited (i)	BVI, limited liability company	US\$1	100	100	Investment holding for HK entities
懷集萬福山殯儀館有限公司 (Huai Ji Luck Mountain Funeral Parlor Limited) ("Huai Ji") (i) & (ii)	PRC, wholly foreign-owned enterprise	RMB10,500,000	100	100	Operation of cremation and funeral business

Notes:

- (i) Shares held by the Company directly.
- (ii) English name is for identification purpose only.
- (iii) Luck Point Investments Limited, a holding company of Huai Ji, is entitled to a profit sharing ratio of 70% of the result of Huai Ji.
- (iv) On 19 August 2016, Winning Spotlight Limited, a wholly-owned subsidiary of the Company entered into a subscription agreement with Black Sesame to subscribe for 70% equity interest in Black Sesame at a total subscription price of HK\$7,000,000. Two shares of Black Sesame were issued to Keith Productions Limited ("Keith Productions") as part of the consideration for a director of Keith Productions to service as a director of Black Sesame for a term of three years. Together with the existing one share held by Keith Productions, Keith Productions owns 30% equity interest of Black Sesame upon the completion of the subscription.
- (v) The place of operations is equivalent to its place of incorporations unless stated otherwise.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As at 31 December 2016, the total non-controlling interest is HK\$6,872,000 of which HK\$5,022,000 is attributed to Huai Ji and HK\$2,079,000 is attributed to Black Sesame. As at 31 December 2015, the total non-controlling interest is HK\$4,782,000 which is attributed to Huai Ji.

Notes to the Consolidated Financial Statements

17 SUBSIDIARIES (Continued)

Significant restrictions

Cash and cash equivalents of HK\$423,000 (2015: HK\$1,771,000) for Huai Ji are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	Huai Ji		Black Sesame	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	22,644	20,810	7,000	–
Total liabilities	(5,904)	(5,557)	(73)	–
Net assets	16,740	15,253	6,927	–

Summarised statement of comprehensive income

	Huai Ji		Black Sesame	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	8,447	8,514	–	–
Profit/(loss) for the year	525	388	(3,073)	–
Other comprehensive income/(loss)	700	(596)	–	–
Total comprehensive income/(loss)	1,225	(208)	(3,073)	–
Total comprehensive income/(loss) allocated to non-controlling interests	368	(62)	(922)	–

Notes to the Consolidated Financial Statements

17 SUBSIDIARIES (Continued)

Summarised statement of cash flows

	Huai Ji		Black Sesame	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Net (decrease)/increase in cash and cash equivalents	(1,292)	972	7,000	–
Effects of foreign exchange rate changes, net	(56)	(113)	–	–
Cash and cash equivalents at 1 January	1,771	912	–	–
Cash and cash equivalents at 31 December	423	1,771	7,000	–

The information above is the amount before inter-company eliminations.

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK\$'000	2015 HK\$'000
At 1 January	–	–
Additions	11,047	–
Losses recognised in the consolidated statement of profit or loss	(24)	–
At 31 December	11,023	–
Less: non-current portion	(7,769)	–
Current portion	3,254	–

During the year ended 31 December 2016, the Group entered into agreements with two independent third parties to invest 5% and 10% interest respectively in two concerts. The Group is entitled to recover its investment amount and share the net profit or loss according to its contribution proportion. Both concerts were completed during the year with a net share of loss of HK\$24,000. As at 31 December 2016, the carrying amount of HK\$3,254,000 represented the net proceeds receivables from these concerts.

Notes to the Consolidated Financial Statements

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

During the year ended 31 December 2016, the Group entered into an agreement with an independent third party to acquire 3.33% of ownership interest in a film right with a consideration of US\$1,000,000 (equivalent to HK\$7,769,000). The Group is entitled to recover its investment amount and share the net profit or loss according to its contribution proportion. The carrying amount of the investment in film right approximates its fair value as it was acquired near the year end.

The carrying amounts of available-for-sale financial assets approximate their fair values and are denominated in the following currencies:

	2016	2015
	HK\$'000	HK\$'000
HK\$	3,254	–
US\$	7,769	–
	11,023	–

19 INVENTORIES

	2016	2015
	HK\$'000	HK\$'000
Funeral related merchandises	294	184

Notes to the Consolidated Financial Statements

20 TRADE AND OTHER RECEIVABLES

	2016	2015
	HK\$'000	HK\$'000
Trade receivables	1,993	104
Prepayments and other receivables (i)	5,682	12,034
Rental and other deposits	572	111
Amount due from a director of a subsidiary (ii)	291	245
	8,538	12,494
Impairment of other receivables and amount due from a director of the subsidiary (i) & (ii)	(5,651)	(9,860)
	2,887	2,634
Less: non-current portion Deposits	(450)	(145)
Current portion	2,437	2,489

All non-current receivables are due within five years from the end of the year.

The majority of the Group's sales are mainly on average credit terms of 30 days. Trade receivables of HK\$184,000 (2015: Nil) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. No provision for impairment of receivables was provided. The ageing analysis of these trade receivables is as follows:

	2016	2015
	HK\$'000	HK\$'000
Neither past due nor impaired	1,809	104
0 – 30 days past due	140	–
31 – 60 days past due	21	–
Over 60 days past due	23	–
Past due but not impaired	184	–
	1,993	104

Notes to the Consolidated Financial Statements

20 TRADE AND OTHER RECEIVABLES *(Continued)*

The carrying amounts of the Group's trade and other receivables are denominated in following currencies:

	2016	2015
	HK\$'000	HK\$'000
HK\$	2,442	2,387
RMB	445	247
	2,887	2,634

Notes:

- (i) The amount mainly represents debt assignment amounting to HK\$5,360,000 (2015: HK\$11,360,000), of which HK\$5,360,000 (2015: HK\$9,860,000) has been impaired as the balance has been past due and unsecured and the debtor is not able to provide the relevant financial information to support its financial viability.
- (ii) The amount due from a director of a subsidiary of HK\$291,000 has been fully impaired as the balance has been past due and unsecured. The director is not able to provide the relevant financial information to support its financial viability.

21 CASH AND CASH EQUIVALENTS

	2016	2015
	HK\$'000	HK\$'000
Cash and bank balances (i)	22,615	34,657
Restricted cash (ii)	–	316
	22,615	34,973

Notes:

- (i) Cash at banks earns interest at floating rates based on daily bank deposit rates.
- (ii) As at 31 December 2015, HK\$316,000 are restricted deposits held at a bank pursuant to the trust deed of Sage Dignity Trust, where the trust account is set up for designated purpose for the provision of funeral services under preneed service agreements (2016: Nil).

Notes to the Consolidated Financial Statements

21 CASH AND CASH EQUIVALENTS *(Continued)*

Cash and cash equivalents and restricted cash were denominated in the following currencies:

	2016	2015
	HK\$'000	HK\$'000
HK\$	22,128	33,125
RMB	394	1,770
US\$	93	78
	22,615	34,973

The RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and the remittance of RMB out of Mainland China are subject to the rules and regulations of the foreign exchange control promulgated by the government of the PRC.

22 DISCONTINUED OPERATIONS

On 2 April 2014, the Group entered into a sale and purchase agreement to dispose of its 100% equity interests in Reliance Death Care Services Inc. and its subsidiaries (collectively "Reliance Group"), which mainly operates cemetery business in Mainland China, to Great World Investors Limited (a company wholly-owned by Mr. Chui). As the operation of the Reliance Group is considered as a separate major line of business which was previously classified as part of the Mainland China operating segment, it is accounted for as a discontinued operation. The disposal was completed on 17 February 2015.

Notes to the Consolidated Financial Statements

22 DISCONTINUED OPERATIONS (Continued)

(a) An analysis of the result of discontinued operations is as follows:

	2015 HK\$'000
Revenue	5,396
Expenses	(6,443)
<hr/>	
Loss before tax of discontinued operations	(1,047)
Tax	273
<hr/>	
Loss after tax of discontinued operations	(774)
<hr style="border-top: 1px dashed black;"/>	
Gain on disposal of subsidiaries	11,725
Income tax from the disposal of PRC subsidiaries	(6,796)
<hr/>	
Gain on disposal of subsidiaries after tax	4,929
<hr style="border-top: 1px dashed black;"/>	
Profit for the year from discontinued operations	4,155

(b) An analysis of the expenses of discontinued operations is as follows:

	2015 HK\$'000
Cost of inventories recognised as expense	
– cemetery assets use rights	1,090
– cemetery merchandises	809
Employees benefits expenses	937
Fair value changes on derivative component of convertible bonds	58
Fair value changes on convertible bonds	
– classified as share-based payment transactions	811
Depreciation of property, plant and equipment	274
Minimum lease payments under operating leases in respect of buildings	193

Notes to the Consolidated Financial Statements

22 DISCONTINUED OPERATIONS *(Continued)*

(c) Cash flows

	2015 HK\$'000
Operating and total cash flows	(2,585)

23 TRADE PAYABLES

An aging analysis of trade payables which are non-interest bearing at end of the reporting period, based on the invoice date, is as follows:

	2016 HK\$'000	2015 HK\$'000
Within 30 days	92	29
31-60 days	13	5
61-90 days	21	1
91 days-1 year	110	98
	236	133

The average credit period on purchases of certain goods is 30 days. The carrying amount of trade payables approximates its fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Notes to the Consolidated Financial Statements

24 (a) OTHER PAYABLES AND ACCRUALS

	2016	2015
	HK\$'000	HK\$'000
Other payables and accruals	5,272	2,826
Amount due to a director (i)	208	574
Receipt in advance	731	998
	6,211	4,398

Note:

- (i) Amount due to a director is unsecured, non-interest bearing and has no fixed terms of repayment.

(b) DEFERRED INCOME

	2016	2015
	HK\$'000	HK\$'000
Deferred income:		
– Government grant (i)	2,796	2,070
	2,796	2,070
Less: non-current portion	(2,484)	(1,858)
	312	212

Note:

- (i) It represents grants obtained from the PRC government in relation to the purchase of certain property, plant and equipment by the Group.

Notes to the Consolidated Financial Statements

25 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2016 HK\$'000	2015 HK\$'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	602	–
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	(2,849)	(2,401)
Deferred tax liabilities, net	(2,247)	(2,401)

The net movement on the deferred income tax is as follows:

	HK\$'000
Year ended 31 December 2015	
At 1 January 2015	(2,550)
Exchange realignment	149
At 31 December 2015	(2,401)
Year ended 31 December 2016	
At 1 January 2016	(2,401)
Exchange realignment	154
At 31 December 2016	(2,247)

Notes to the Consolidated Financial Statements

25 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Fair value adjustment from business combination	Accelerated tax depreciation	Total
	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2015			
At 1 January 2015	2,550	–	2,550
Exchange realignment	(149)	–	(149)
	2,401	–	2,401
Year ended 31 December 2016			
At 1 January 2016	2,401	–	2,401
Credited to the consolidated statement of profit or loss	–	602	602
Exchange realignment	(154)	–	(154)
	2,247	602	2,849
Deferred tax assets			
			Tax losses
			HK\$'000
Year ended 31 December 2016			
At 1 January 2015 and 1 January 2016			–
Charged to the consolidated statement of profit or loss			602
			602

Notes to the Consolidated Financial Statements

25 DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$6,365,000 (2015: HK\$4,763,000) in respect of losses amounting to HK\$38,579,000 (2015: HK\$28,869,000) that can be carried forward against future taxable income in Hong Kong.

26 SHARE CAPITAL

	Numbers of shares		Amount	
	2016	2015	2016	2015
	'000	'000	HK\$'000	HK\$'000
Issued and fully paid:				
Ordinary shares of HK\$0.025 each (2015: HK\$0.025 each) at beginning of the reporting period	690,606	177,629	17,265	4,441
Issue of shares upon placement (i)	138,000	70,000	3,450	1,750
Issue of shares upon open offer (i)	–	355,258	–	8,881
Issue of shares for conversion of convertible bonds (ii)	–	87,719	–	2,193
Ordinary shares of HK\$0.025 each (2015: HK\$0.025 each) at end of the reporting period	828,606	690,606	20,715	17,265

Notes:

- (i) On 8 June 2016, the Company issued 138,000,000 new ordinary shares through a share placement to several independent third parties at a share price of HK\$0.14 per placing share and represented a discount to the market price of the then existing shares. The net proceeds were approximately HK\$18,810,000.

On 17 February 2015, the Company issued 70,000,000 and 355,257,598 new ordinary shares through a share placement and an open offer to all existing shareholders respectively. The placing price and subscription price was HK\$0.20 per share and represented a discount to the market price of the then existing shares. The net proceeds of approximately HK\$13,570,000 and HK\$69,187,000 through placement of shares and open offer respectively. The new shares ranked pari passu with the then existing share in all aspects.

- (ii) On 31 March 2015, the Company issued 87,719,298 new ordinary shares upon the exercise of the conversion rights by the bondholder. The conversion price was HK\$0.228 per share and represented a discount to the market price of the then existing shares.

Notes to the Consolidated Financial Statements

27 SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the share options scheme adopted by the Company on 22 October 2001 and a new share options scheme (the "Share Options Scheme") adopted by the Company on 31 August 2011, the directors may at their discretion grant options to (i) any director, employee or consultant of the Group or a company in which the Group holds an equity interest or a subsidiary of such company (an "Affiliate"); or (ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee or consultant of the Group or an Affiliate; or (iv) any person or entity whose service to the Group or business with the Group contributes or is expected to contribute to the business or operation of the Group, to subscribe for shares of the Company during such period as may be determined by the directors of the Company (which shall not be more than ten years from the date of issue of the relevant options).

The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Options Scheme and any other scheme(s) of the Company shall not exceed 30% of the shares of the Company in issue from time to time. Options may be granted without any initial payment at a price (subject to adjustments as provided therein) equal to the higher of (i) the nominal value of the shares; (ii) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (iii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. Each option gives the holder the right to subscribe for one share.

The following table discloses movements of the Company's share options held by directors, consultant and employees during the year ended 31 December 2016:

Name/category of participants	Number of share options				Adjusted outstanding and exercisable as at 31 December 2016	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year (i)				
Category 1: Directors								
Mr. Chui	1,052,820	-	-	-	1,052,820	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Mr. Chan Wai Man	23,927	-	-	-	23,927	15 February 2008	15 February 2008 – 14 February 2018	HK\$6.892
	119,638	-	-	-	119,638	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Mr. Siu Hi Lam, Alick	119,638	-	-	-	119,638	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Mr. Yao Kan Shan	-	1,500,000	-	-	1,500,000	22 August 2016	22 August 2019 – 21 August 2026	HK\$0.211
Sub total	1,316,023	1,500,000	-	-	2,816,023			

Notes to the Consolidated Financial Statements

27 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Name/category of participants	Number of share options				Adjusted outstanding and exercisable as at 31 December 2016	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year (i)				
Category 2: Employees/consultants								
Employees	38,284	-	-	-	38,284	15 February 2008	15 February 2008 – 14 February 2018	HK\$6.892
Employees	981,034	-	-	-	981,034	7 July 2010	7 July 2010 – 6 July 2020	HK\$1.784
Employee	153,137	-	-	-	153,137	12 August 2010	12 August 2010 – 11 August 2020	HK\$4.912
Employees	430,698	-	-	-	430,698	9 September 2010	9 September 2010 – 8 September 2020	HK\$4.791
Employees	765,686	-	-	-	765,686	13 September 2010	13 September 2010 – 12 September 2020	HK\$4.474
Employees	693,903	-	-	-	693,903	3 December 2010	3 December 2010 – 2 December 2020	HK\$4.455
Employee	1,196,386	-	-	-	1,196,386	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Employee	1,624,311	-	-	-	1,624,311	18 January 2013	18 January 2013 – 17 January 2023	HK\$1.102
Employees	-	1,900,000	-	-	1,900,000	11 April 2016	11 April 2019 – 10 April 2026	HK\$0.188
Consultant	382,843	-	-	-	382,843	14 December 2007	14 December 2007 – 13 December 2017	HK\$5.846
Consultant	555,122	-	-	-	555,122	12 August 2010	12 August 2010 – 11 August 2020	HK\$4.912
Consultant	135,430	-	-	-	135,430	6 September 2010	6 September 2010 – 5 September 2020	HK\$4.137
Consultant	1,052,820	-	-	-	1,052,820	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Consultant	-	4,500,000	-	-	4,500,000	11 April 2016	11 April 2017 – 10 April 2026	HK\$0.188
Sub total	8,009,654	6,400,000	-	-	14,409,654			
Total of all categories	9,325,677	7,900,000	-	-	17,225,677			

Notes to the Consolidated Financial Statements

27 SHARE-BASED PAYMENT TRANSACTIONS (*Continued*)

The following table discloses movements of the Company's share options held by directors, consultant and employees during the year ended 31 December 2015:

Name/category of participants	Number of share options				Adjusted outstanding and exercisable as at 31 December 2015	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year (i)				
Category 1: Directors								
Mr. Chui	1,052,820	-	-	-	1,052,820	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Mr. Chan Wai Man	23,927	-	-	-	23,927	15 February 2008	15 February 2008 – 14 February 2018	HK\$6.892
	119,638	-	-	-	119,638	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Mr. Siu Hi Lam, Alick	119,638	-	-	-	119,638	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Mr. Law Yee Man, Thomas ("Mr. Law") (Note)	47,854	-	-	(47,854)	-	12 August 2011	12 August 2011 – 11 August 2021	HK\$3.661
	71,782	-	-	(71,782)	-	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Sub total	1,435,659	-	-	(119,636)	1,316,023			

Note:

Mr. Law resigned on 12 October 2015.

Notes to the Consolidated Financial Statements

27 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Name/category of participants	Number of share options				Adjusted outstanding and exercisable as at 31 December 2015	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year (i)				
Category 2: Employees/consultants								
Employee	38,284	-	-	-	38,284	15 February 2008	15 February 2008 – 14 February 2018	HK\$6.892
Employees	1,387,806	-	-	(406,772)	981,034	7 July 2010	7 July 2010 – 6 July 2020	HK\$1.784
Employee	153,137	-	-	-	153,137	12 August 2010	12 August 2010 – 11 August 2020	HK\$4.912
Employees	1,028,891	-	-	(598,193)	430,698	9 September 2010	9 September 2010 – 8 September 2020	HK\$4.791
Employees	765,686	-	-	-	765,686	13 September 2010	13 September 2010 – 12 September 2020	HK\$4.474
Employees	693,903	-	-	-	693,903	3 December 2010	3 December 2010 – 2 December 2020	HK\$4.455
Employee	1,196,386	-	-	-	1,196,386	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Employee	1,624,311	-	-	-	1,624,311	18 January 2013	18 January 2013 – 17 January 2023	HK\$1.102
Consultant	382,843	-	-	-	382,843	14 December 2007	14 December 2007 – 13 December 2017	HK\$5.846
Consultant	555,122	-	-	-	555,122	12 August 2010	12 August 2010 – 11 August 2020	HK\$4.912
Consultant	135,430	-	-	-	135,430	6 September 2010	6 September 2010 – 5 September 2020	HK\$4.137
Consultant	1,052,820	-	-	-	1,052,820	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Sub total	9,014,619	-	-	(1,004,965)	8,009,654			
Total of all categories	10,450,278	-	-	(1,124,601)	9,325,677			

Note:

- (i) The share options lapsed during the year ended 31 December 2015 upon the resignation of the director for Category 1 or upon the termination of employment contract for Category 2.

27 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The fair value of the shares options issued was estimated at the date of issue using the binomial option pricing model with the following assumptions:

- (a) Risk-free interest rate – the yields to maturity of Hong Kong Exchange Fund Note as at the valuation date with terms to maturity matching with the contractual option life of the shares options;
- (b) Expected volatility of share price – the 3.5 years historical volatility of closing prices of the shares of the companies within the same industry from Bloomberg;
- (c) Expected life of share options – 10 years;
- (d) Dividend yield – Nil; and
- (e) No other feature of the shares options issued were incorporated into the measurement of fair values.

The variables and assumptions used in computing the fair values of the share options are based on the directors' best estimation. The value of the shares options varies with different variables of certain subjective assumptions.

7,900,000 share options were granted during the year ended 31 December 2016 (2015: Nil). No share options were exercised during the year ended 31 December 2016 and 2015.

Share options expenses of HK\$435,000 was recognised in income statement during the year (2015: Nil) and the corresponding amount has been credited to the share-based payment reserve.

At the end of reporting period, the Company had 17,225,677 (2015: 9,325,677) share options outstanding under the Share Options Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 17,225,677 (2015: 9,325,677) additional ordinary shares of the Company and additional share capital of HK\$430,000 (2015: HK\$233,000) and share premium of HK\$32,112,000 (2015: HK\$30,790,000).

28 RESERVES

The amounts of the reserves and the movements therein for the current year and prior year are presented in the consolidated statement of changes in equity on page 51 of the consolidated financial statements.

28 RESERVES (Continued)

(a) Contributed surplus

Pursuant to a special resolution passed at the extraordinary general meeting of the Company on 1 September 2010, a contributed surplus account was designated by the Company within the meaning of the Companies Act 1981 of Bermuda so as to carry the amounts as follows: (i) the entire amounts standing to the credit balance of the share premium account of HK\$59,873,000 of the Company were cancelled and transfer the credits arising from such cancellation to the contributed surplus account of the Company, (ii) transferred of the share premium arising from the capital reduction to the contributed surplus account of the Company, and (iii) offset the accumulated losses in full effective as at 31 August 2010.

The contributed surplus of the Company arose as a result of capital reorganisation and represents the entire amounts standing to the credit of the share premium account of the Company as at 31 August 2010 and the credits arising from capital reduction for eliminating or setting off the accumulated losses of the Company from time to time. Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay dividend, or make a distribution out of the contributed surplus, if there are reasonable grounds for believing that: (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(b) PRC statutory reserve

In accordance with the PRC laws and regulations, PRC companies are required to provide statutory reserve. Statutory reserve is appropriated at 10% from net profits after taxation as reported in the financial statements of the PRC subsidiaries. Provision for the statutory reserve ceases when the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. All statutory reserves are for specific purposes and are not distributed in the form of cash dividends.

29 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	Available-for-sale financial assets	Total
	HK\$'000	HK\$'000	HK\$'000
31 December 2016			
Assets as per balance sheet			
Trade and other receivables	2,719	–	2,719
Available-for-sale financial assets	–	11,023	11,023
Cash and cash equivalents	22,615	–	22,615
Total	25,334	11,023	36,357

Notes to the Consolidated Financial Statements

29 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Other financial liabilities at amortised cost HK\$'000
Liabilities as per balance sheet	
Trade and other payables	3,380
<hr/>	
	Loans and receivables HK\$'000
31 December 2015	
Assets as per balance sheet	
Deposits and other receivables	1,960
Restricted cash	316
Cash and cash equivalents	34,657
	<hr/>
Total	36,933
<hr/>	
	Other financial liabilities at amortised cost HK\$'000
Liabilities as per balance sheet	
Trade and other payables	2,780
	<hr/>

Notes to the Consolidated Financial Statements

30 OPERATING LEASES**The Group as lessee**

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for terms ranging from one to two years (2015: One to two years).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016	2015
	HK\$'000	HK\$'000
Within one year	1,682	465
In the second to fifth years inclusive	972	220
	2,654	685

31 CAPITAL COMMITMENTS

As at 31 December 2016 and 31 December 2015, the Group did not have any capital commitments.

32 RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 6(b), 20(ii), 22 and 24(a) in the consolidated financial statements, the Group had entered into the following significant related party transactions during the year:

	2016	2015
	HK\$'000	HK\$'000
Rent paid to a company owned by a director	720	900
Interest paid to a company owned by a director	–	75
Interest paid to a director	–	205
Management fee received from a company owned by a director	(1,800)	(1,047)

All of the transactions were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

32 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Compensation to key management personnel

The remuneration of directors of the Group during the year is as follows:

	2016 HK\$'000	2015 HK\$'000
Short-term benefits	1,132	1,569

The remuneration of directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

(b) Other related party balances and transactions

Save as disclosed, details of balances and transactions with other related parties at the end of the reporting year are set out in Notes 6(b), 20(i) and 24(a) to the consolidated financial statements.

33 EVENTS AFTER THE REPORTING PERIOD

On 24 January 2017, Sunny Side Up (BVI) Limited, a wholly-owned subsidiary of the Company, entered into an investment agreement with Sun Entertainment Films Limited ("Sun Entertainment"), a company that wholly and beneficially owned by Mr. Dong Choi Chi, Alex, an executive Director and a substantial shareholder of the Company, to jointly invest in the production of a film right. The investment is subject to approval by the Company's shareholders. Upon completion, the Company will issue 164,192,312 new shares of the Company to Sun Entertainment in exchange of 20% of the income right of the film right.

On 24 March 2017, the Group issued 165,000,000 new ordinary shares at the placing price of HK\$0.16 per placing share to several independent third parties. The net proceeds from the placement is approximately HK\$25,506,000.

Notes to the Consolidated Financial Statements

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Statement of Financial Position of the Company*As at 31 December 2016*

	2016 HK\$'000	2015 HK\$'000
Assets		
Non-current assets		
Investments in and amounts due from subsidiaries	56,850	25,532
Current assets		
Other receivables (Note 20(i))	94	1,500
Cash and cash equivalents	14,198	30,120
	14,292	31,620
Total assets	71,142	57,152
Equity and liabilities		
Equity		
Share capital	20,715	17,265
Accumulated losses	Note (a) (254,317)	(248,877)
Other reserves	Note (a) 301,757	285,962
	68,155	54,350
Liabilities		
Current liabilities		
Other payables and accruals	2,176	2,024
Amounts due to subsidiaries	811	778
Total liabilities	2,987	2,802
Total equity and liabilities	71,142	57,152

Notes to the Consolidated Financial Statements

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (*Continued*)

Note (a) Reserve movement of the Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Share- based payment reserve HK\$'000 (Note 27)	Convertible bonds equity reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2015	128,187	31,713	222,528	28,609	(428,471)	(17,434)
Loss for the year	-	-	-	-	(35,414)	(35,414)
Issue of shares upon placement	11,820	-	-	-	-	11,820
Issue of shares upon open offer	60,306	-	-	-	-	60,306
Issue of shares for conversion of convertible bond	39,596	-	(21,789)	-	-	17,807
Disposal of subsidiaries	-	-	(186,399)	(28,609)	215,008	-
At 31 December 2015	239,909	31,713	14,340	-	(248,877)	37,085
At 1 January 2016	239,909	31,713	14,340	-	(248,877)	37,085
Loss for the year	-	-	-	-	(5,440)	(5,440)
Issue of shares upon placement	15,360	-	-	-	-	15,360
Equity-settled share options arrangement	-	-	435	-	-	435
At 31 December 2016	255,269	31,713	14,775	-	(254,317)	47,440

Five Years Financial Highlights

The following table summarises the results, assets and liabilities of the Group for the last five financial periods as extracted from the audited financial statements:

	31 December 2016 HK\$'000	31 December 2015 HK\$'000	31 December 2014 HK\$'000	31 December 2013 HK\$'000	31 December 2012 HK\$'000
Revenue	16,287	20,004	43,080	39,427	9,732
Loss attributable to owners of the Company	(17,293)	(21,336)	(60,436)	(130,332)	(45,327)
Total assets	65,927	60,408	477,770	490,873	285,507
Total liabilities	(17,566)	(15,460)	(343,749)	(302,871)	(126,630)
Net assets	48,361	44,948	134,021	188,002	158,877

Notes:

- (i) The results and assets and liabilities of the Group for the year ended 31 December 2016 have been extracted from the consolidated income statement and consolidated statement of financial position as set out on pages 46 to 47 and 49 to 50 respectively of the accompanying consolidated financial statements.
- (ii) The financial summary of the Group is for information only and does not form part of the audited consolidated financial statements.