"Benevolence is our core value & Revolutionizing the death care industry through innovative thinking is our mission"

Annual Report **2011**

Sage International Group Limited

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

Stock Code: 8082

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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. Kwok Kwan Hung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Man
Mr. Law Yee Man, Thomas (appointed on 12 July 2011)
Mr. Leung Chi Kong (retired on 31 August 2011)
Mr. Siu Hi Lam, Alick

COMPANY SECRETARY/ COMPLIANCE OFFICER

Mr. Kwok Kwan Hung

AUDIT COMMITTEE

Mr. Chan Wai Man *(Chairman)*
Mr. Law Yee Man, Thomas
Mr. Siu Hi Lam, Alick

REMUNERATION COMMITTEE

Mr. Siu Hi Lam, Alick *(Chairman)*
Mr. Chan Wai Man
Mr. Law Yee Man, Thomas

AUTHORISED REPRESENTATIVES

Mr. Chui Bing Sun
Mr. Kwok Kwan Hung

INDEPENDENT AUDITORS

Parker Randall CF (H.K.) CPA Limited
Chartered Accountants
Certified Public Accountants

SOLICITOR

Michael Li & Co.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

32/F Sunshine Plaza
353 Lockhart Road
Wanchai Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08 Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co. Limited
DBS Bank (Hong Kong) Limited

STOCK CODE

8082

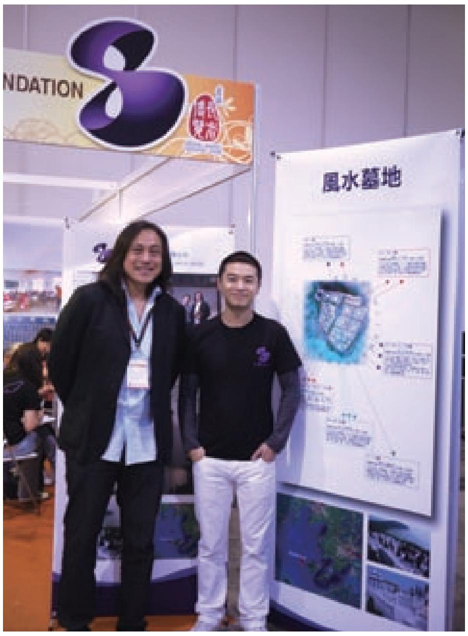
CONTACT INFORMATION

Tel: 3150 8082
Fax: 3150 8092
Website: www.sig.hk

The Year at a Glance

At the heart of the community, Sage is proactive in its commitment to contribute to the welfare of the community through voluntary work and holding forum with teenagers in Hong Kong. The Group has built strong ties with non-profit organizations, such as Helping Hand and Yan Oi Tong, to bring kindness and care to the needy.

Hong Kong Senior Fair 2011



Providing Hepatitis B test to elderly people at Hong Kong Senior Fair held at Hong Kong Convention and Exhibition Centre

Mid-Autumn Festival Celebration with Elderly

Distributing moon cake and playing games with senior citizens

The Year at a Glance

Celebrating Mid-Autumn Festival with the senior citizens

Elderly Home Visit

Visiting elderly home

Discussion on "Life & Death" between university students and CEO

Discussion on "What is Life & Death?" with the university students in Hong Kong, provide a chance for students to think about the value of life and the one they care

Renovation underway to create a world class cemetery

The Year at a Glance

Renovation underway to create a world class cemetery

Chairman's Statement

"以仁為本
智力革新"

"Benevolence is our core value & Revolutionizing the death care industry through innovative thinking is our mission"

On behalf of the Board of Directors of SAGE International Group Limited ("SAGE") 仁智國際集團有限公司, I am pleased to present the annual report of the Company for the nine months period ended 31 December 2011. The Company accomplished a number of achievements during the period which I believe to be a solid foundation of the Group in its future business development in the deathcare industry.

Our Business

SAGE is principally engaged in the development and provision of the professional death care services, operation of a network of funeral homes and cemeteries in the Greater China region. Following a series of successful acquisitions of the Group in the year 2011, we currently own, three cemeteries, one funeral home and one crematorium in the PRC and one funeral undertaking shop in Hong Kong. We are also proud to have built up our own professional team of advisors, funeral directors, funeral service attendants and support staff during the past two years to compassionately serve families at difficult times and honor the memory of lives well-lived in this region. Moreover, we are pleased to have Mr. Richard Andrew Connell, former chairman of Dignity plc, a FTSE 250 Company and UK's largest funeral services provider, to join in July 2011 as the Senior Advisor to the Board and bring us the world class funeral expertise from Europe which we believe to be invaluable for our future development. We will continue to explore opportunities for collaboration with professional in this field, particularly with the China pioneering counterparts.

The China Market

China, like other developed western countries, is facing the challenge of growing ageing population and increase in mortality rates. According to the "2011 green paper" on the funeral services industry, the size of the funeral market is huge and the spending in funeral services and products is estimated to be worth billions in China. However, funeral industry is highly fragmented, monopolised by a few service providers and has traditionally been considered not transparent. In China, the Ministry of Civil Affair governs the strategic direction and standard setting process of the funeral industry. There are a number of measures being taken to restructure and improving the standards of the industry. Being one of the market practitioners, I have the passion to participate in revolutionizing this industry through professional management, setting benchmarks for industry's best practice by offering affordable quality services and changing people's perception of funeral sector & professionals. This vision has guided SAGE to become China's single largest provider of funeral, cremation and cemetery services and make its brand synonymous with the Chinese funeral industry.

Chairman's Statement

Our Operating Model

In this regard, SAGE will, on its well-established foundation, continue to establish a strong network of value chain in cemeteries, funeral home and services provider (collectively called the "At Need" services and products). We will also promote customer-friendly, environmental-friendly and high-tech funeral services in our value chain. Member base within our chain of cemeteries and funeral homes will be increased through the establishment of joint ventures, acquisition or cooperation arrangements. Nevertheless, risk and reward of the potential projects and the resources available to the Group will be carefully analyzed and managed by the Company. At the same time, we will create synergies and add value on existing operation through a fusion of combined our industrial expertise with local knowledge. Customized funeral management systems have been implemented by the management team to the operation of our group members. With this proprietary know-how, we expect to provide more consulting and management services to external cemetery and funeral operators in the future.

SAGE will also extend its product spectrum and launch funeral products on a preneed basis to fulfill the customers' need. "Preneed Products", which are in the form of a contract created between the customer and the funeral services provider, enables the customers and their families to plan in advance and establish the services and products to be delivered in time of need. It will also help families to eliminate unwise decision of making deathcare plans on grieving loved ones. From SAGE's perspective, the preneed products will build up a backlog of future revenues and provide a steady income stream. All these business plans have been under pipeline and will be adopted to form 2012's key agenda.

Our Value

Benevolence is our core value. Revolutionizing the death care industry through innovative thinking is our mission. This intrinsic value drives our corporate philosophy and strategy in achieving our organization growth, cultivating culture and values and honoring our social responsibilities. During 2011, we have organized a numbers of charity events with non-profit organizations and have served a number of elders from these organizations. These events aims to uphold the dignity of these elders by honouring their lifetime contribution to the community.

Lastly, I would like to take this opportunity to thank all our professional management team for their dedication and commitment over the past years. Moreover, I would also like to express my deep gratitude to our customers, suppliers, business partners and shareholders for their unwavering support.

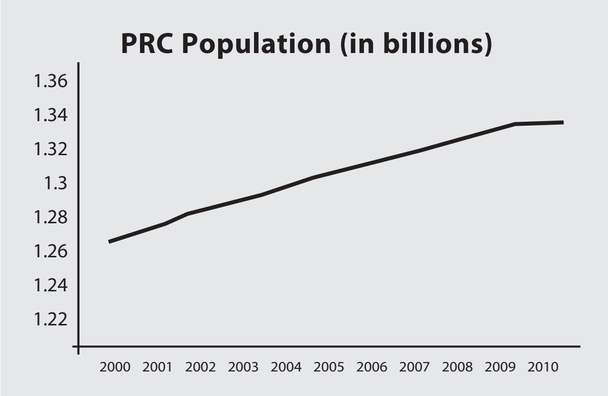
Chui Bing Sun
Chairman

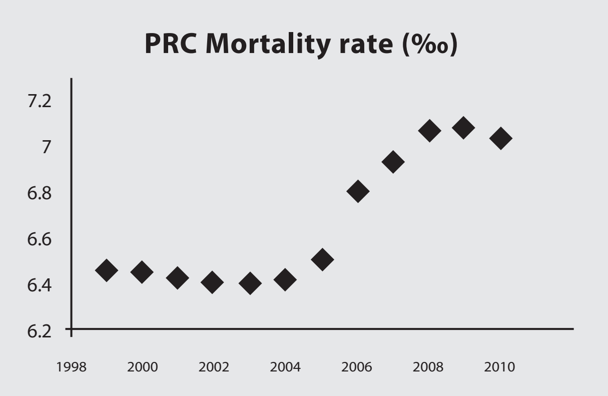
An Industry Overview

DEATH CARE BUSINESS

According to the China Statistic Yearbook, the population in People's Republic of China (the "PRC") expanded from 1.27 billion in 2000 to 1.34 billion in 2010, representing a 5.51% increase over the decade. The national mortality rate also show a striking pattern with an upward slope since 2004. In 2004, the mortality rate was at 6.42‰ and the rate went up to as high as 7.03‰ in 2010, representing almost 10% increment.

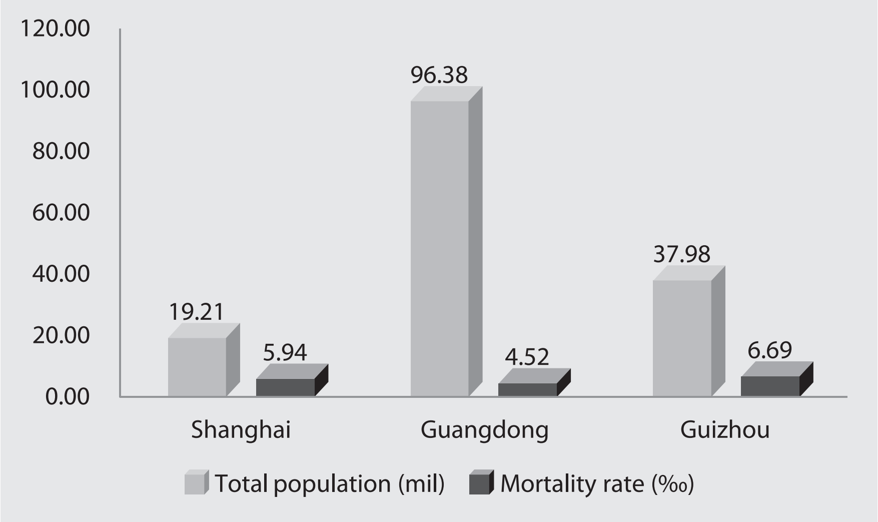
In addition to the increase in mortality rates, the PRC is facing challenges from growing aging population. The population aged 65 or above was increased by 34% from 2000 to 2010. According to a 2011 green paper on the funeral services industry, about 9 million people died in China in 2010. Thus, there is an increasing demand of death care services.





	2000	(%)	2010	(%)	Increase/ (decrease) (%)
Population (in million)					
– End of year	1,267	100.0%	1,336	100.0%	5.4%
– Age ≥ 65	88	6.9%	118	8.8%	34.1%

Source from: National Bureau of Statistics of China's.



An Industry Overview

Apart from the needs of death care services, the supply side of cemetery is, however, limited. In China, most of the cemeteries are currently controlled by the PRC government directly which owns the land. The PRC government currently manages about 1,200 cemeteries, 850 funeral management work units with reference to the state Ministry of Civil Affairs. Furthermore, the PRC have experienced quick economic development, with concomitant increase in Gross Domestic Product ("GDP") per capita in 2000 to 2010 from HK$335,000 to HK$450,000 per year, respectively; the demand for high quality funeral services are very important component in Chinese social and religious systems for showing the respect to the deceased. Thus, the demand for high quality services has emerged and extended to this industry.

With the scarcity of burial land, strong demand for cemetery and funeral services and rising disposable income, cemetery and funeral services industry will see strong growth in the coming decades.

The cemetery operation offers interment arrangements, such as the traditional ground burial, cremation ground burial, mausoleum, and columbaria. Other cremation products including bronze memorials, monuments, vaults, urns, interment services, cremation services are also provided. Prior to ground burial of the deceased, a wide range of funeral home services would be needed, including embalming, registration of death, and performing memorials at funeral home facilities .

Traditionally, the death care industry, including cemetery and funeral services, is considered not transparent. Customers (Deceased's family or friends) will look for cemetery and funeral products and services only at the time of need. However, in a number of developed countries, like United States (the "U.S.") and the United Kingdom (the "U.K."), comprehensive products and services are also offered on preneed basis. A number of innovative pre-need products are launched to cope with customers' changing needs. Over 238,000 preneed funeral plans have been sold in the U.S. and U.K. up to 2010.

There's no doubt that there is a great need for revolution in China's funeral industry to keep up with the pace of the country's rapid development.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chui Bing Sun ("Mr. Chui"), aged 34, joined the Group on 23 November 2007 and is also a Chairman of the Group. 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 joining the group, Mr. Chui has many 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. Chui was a former chairman and executive director of Sun International Group Limited (stock code: 8029) from August 2006 to December 2008.

Mr. Kwok Kwan Hung ("Mr. Kwok"), aged 46, joined the Group on 23 November 2007 and has many years of experiences in investment banking, corporate finance, financial management and auditing. Mr. Kwok 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 currently an independent non-executive director of Regent Manner International Holdings Limited (stock code: 1997). Mr. Kwok was an executive director of China Environment Energy Investment Limited (stock code: 986) from August 2006 to April 2008. Mr. Kwok was an independent non-executive director of Sun International Group Limited (stock code: 8029) from August 2006 to December 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Man ("Mr. Chan"), aged 46, joined the Group on 23 November 2007 and is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and also a fellow member of the Association of Chartered Certified Accountants. Mr. Chan has experiences in auditing, taxation and finance. Mr. Chan was an independent non-executive director of Computech Holdings Limited (stock code: 8081) from May 2011 to December 2011.

Mr. Law Yee Man, Thomas ("Mr. Law"), aged 54, joined the Group on 12 July 2011 and was the managing director of Hunter Douglas China/Hong Kong Limited and had been a director of various Hunter Douglas companies over a 20-year period in Singapore, Shanghai, Beijing, Shenzhen and Xiamen in the People's Republic of China (the "PRC"). Prior to that, Mr. Law was the deputy general manager of a subsidiary of K.Wah Stones Group in Hong Kong. Mr. Law has a Bachelor Degree in Architecture from the University of Melbourne in Australia and a Master of Science Degree in Engineering Business from the University of Warwick in the U.K. Mr. Law is an associate member of the Royal Australian Institute of Architects. Mr. Law is currently an independent non-executive director of AcrossAsia Limited (stock code: 8061).

Mr. Siu Hi Lam, Alick ("Mr. Siu"), aged 56, joined the Group on 2 February 2010 and has worked in the finance and banking field for over 25 years. Mr. Siu is the managing director of Fortune Take International Limited, a company engaging in providing financial consultancy services. 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). Mr. Siu was an independent non-executive director of China Investment Fund Company Limited (stock code: 612) from November 2010 to January 2012 and Sun International Group Limited (stock code: 8029) from August 2006 to January 2009.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Richard Andrew Connell ("Mr. Connell"), aged 57, was appointed as the Senior Advisor to the board of directors in July 2011. Mr. Connell is responsible for providing strategic advice to the board in business development and operation of the death care services of the Group. Before joining the Group, Mr. Connell was the chairman or non-executive director of a number of listed and unlisted companies in the U.K. for over 10 years. Mr. Connell was also the chairman of Dignity plc, a FTSE250 Company which engaged in the business of funeral services, for the period from 2002 to 2008 and responsible for the strategic planning and development of funeral business. Mr. Connell also worked for a number of private equity and venture capital funds for 18 years.

Ms. Ma Pun Sai, Betsy ("Ms. Ma"), aged 46, was appointed as the director of sales and marketing of the Group in January 2012. Ms. Ma is responsible for the consulting services on promotion and sales of the funeral services of the Group. Ms. Ma has over 20 years of experience in public relations for business, celebrities and no-profit organizations. 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.

Mr. Duan Luwen, Kevin ("Mr. Duan"), aged 45, is the director of Suzhou Celebrities Cemetery Industry Co., Limited ("Suzhou Celebrities"), a jointly-controlled entity of the Group. Mr. Duan's working experience began from late 1980s with AJ Corp, which is a listing company of Shanghai Stock Exchange. Mr. Duan has extensive experience in management of joint ventures entries. In the early 1990s, Mr. Duan started his own business in the fields of consulting and international trading. In 1994, Mr. Duan established Suzhou Celebrities in Jiangsu, China, focusing on cemetery service to worldwide Chinese. Mr. Duan has over 15 years' experience in funeral industry.

Mr. Zhang Yaoyu ("Mr. Zhang"), aged 57, is the General Manager of Suzhou Celebrities. Mr. Zhang has extensive business experience for over 30 years. Mr. Zhang was the person in charge in many companies that were invested by Shanghai Luwan District Commercial Service Company ("上海市盧灣區商業服務公司"), a state own company. The businesses were included retailing, trading, manufacturing and etc. Mr. Zhang joined Suzhou Celebrities in 2005.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the nine months ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and jointly controlled entities are set out in note 21 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 nine months ended 31 December 2011 is set out in note 7 to the consolidated financial statements.

RESULTS

The results of the Group for the nine months ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 33.

The directors do not recommend the payment of a dividend for the nine months ended 31 December 2011 (twelve months ended 31 March 2011: nil).

FIXED ASSETS

Details of the movements in the property, plant and equipment of the Group during the nine months ended 31 December 2011 is set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the nine months ended 31 December 2011 in the share capital of the Company are set out in note 30 to the consolidated financial statements.

During the nine months ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of movements in the reserves of the Company and the Group during the nine months ended 31 December 2011 are set out in note 32 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

DIRECTORS

The directors of the Company during the period and up to the date of this report were:

Executive directors

Mr. Chui Bing Sun *(Chairman)*
Mr. Kwok Kwan Hung

Independent non-executive directors

Mr. Chan Wai Man	
Mr. Law Yee Man, Thomas	(appointed on 12 July 2011)
Mr. Leung Chi Kong	(retired on 31 August 2011)
Mr. Siu Hi Lam, Alick	

In accordance with Bye-law 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. Kwok Kwan Hung and and Mr. Chan Wai Man 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 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).

Directors' Report

INDEPENDENCE CONFIRMATION 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 CONVERTIBLE BONDS

At the nine months ended 31 December 2011, the interests of the directors and the chief executives and their associates in the shares, underlying shares and convertible bonds 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 Rules 5.46 to 5.67 of the GEM Listing Rules of Listed Issuers, were as follows:

Interests in shares and underlying shares of the Company

No. of ordinary shares and underlying shares beneficially held

(A) Long positions

Name of the directors	Capacity	*Notes*	No. of issued ordinary shares held	No. of underlying shares held	Total no. 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	2	100,396,000	416,666,666	517,062,666	51.10%
	Personal	3	4,000	8,800,000	8,804,000	0.87%
	Person acting in concert	4	–	493,274,111	493,274,111	48.75%
			100,400,000	918,740,777	1,019,140,777	100.72%
Mr. Kwok Kwan Hung	Personal	5	440,000	16,400,000	16,840,000	1.66%
Mr. Law Yee Man, Thomas	Personal	5	400,000	1,000,000	1,400,000	0.14%
Mr. Chan Wai Man	Personal	5	180,000	1,200,000	1,380,000	0.14%
Mr. Siu Hi Lam, Alick	Personal	5	–	1,000,000	1,000,000	0.10%

Notes:

1. On 31 August 2011, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company pursuant to which each of the issued and unissued share of HK$0.01 each was subdivided into four shares of HK$0.0025 each with effect from 1 September 2011.

2. New Brilliant Investments Limited ("New Brilliant") was interested in 100,396,000 shares and, pursuant to a subscription agreement dated 22 April 2010 (as supplemented by the supplemental agreement), New Brilliant agreed to subscribe for the convertible bonds in the principal amount of HK$20,000,000 to be issued by the Company at an initial conversion price of HK$0.04 per share and subsequently adjusted to HK$0.048 per share. Accordingly, New Brilliant was interested in 416,666,666 underlying shares of the Company derived from the convertible bonds. New Brilliant is wholly and beneficially owned by Mr. Chui, an executive Director of the Company.

3. Mr. Chui had a personal interest in 4,000 shares and 8,800,000 underlying shares of the Company. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 8,800,000 shares at exercise price of HK$0.50.

4. Mr. Chui was deemed to be interested in 493,274,111 underlying shares in respect of the convertible bonds issued by the Company to AXA Direct Asia II, L.P., a party acting in concert with him.

5. 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) Warrants

Name	Capacity	No. of warrants held	No. of underlying shares
Mr. Richard Andrew Connell	Beneficial owner	43,200,000	43,200,000

Save as disclosed above and in the following section "share options", none of the directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2011.

(C) Share options

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

	No. of share options							
	Adjusted outstanding as at 1 April 2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2011	Date of grant	Exercise period	Exercise price per share (adjusted)
Category 1: Directors								
Mr. Chui	8,800,000	–	–	–	8,800,000	22 March 2011	22 March 2011 – 21 March 2021	HK$0.500
Mr. Kwok Kwan Hung	320,000	–	–	–	320,000	15 February 2008	15 February 2008 – 14 February 2018	HK$0.825
	3,400,000	–	(2,400,000)	–	1,000,000	7 July 2010	7 July 2010 – 6 July 2020	HK$0.213
	1,280,000	–	–	–	1,280,000	12 August 2010	12 August 2010 – 11 August 2020	HK$0.588
	3,800,000	–	–	–	3,800,000	3 December 2010	3 December 2010 – 2 December 2020	HK$0.533
	–	10,000,000	–	–	10,000,000	5 December 2011	5 December 2011 – 4 December 2021	HK$0.284
Mr. Chan Wai Man	200,000	–	–	–	200,000	15 February 2008	15 February 2008 – 14 February 2018	HK$0.825
	180,000	–	(180,000)	–	–	7 July 2010	7 July 2010 – 6 July 2020	HK$0.213
	–	1,000,000	–	–	1,000,000	5 December 2011	5 December 2011 – 4 December 2021	HK$0.284
Mr. Law Yee Man, Thomas (appointed on 12 July 2011)	–	400,000	–	–	400,000	12 August 2011	12 August 2011 – 11 August 2021	HK$0.438
	–	600,000	–	–	600,000	5 December 2011	5 December 2011 – 4 December 2021	HK$0.284
Mr. Siu Hi Lam, Alick	–	1,000,000	–	–	1,000,000	5 December 2011	5 December 2011 – 4 December 2021	HK$0.284
Mr. Leung Chi Kong (retired on 31 August 2011)	200,000	–	–	(200,000) *(Note 1)*	–	15 February 2008	15 February 2008 – 14 February 2018	HK$0.825
	180,000	–	(180,000)	–	–	7 July 2010	7 July 2010 – 6 July 2020	HK$0.213
	18,360,000	**13,000,000**	**(2,760,000)**	**(200,000)**	**28,400,000**			

Directors' Report

	No. of share options							
	Adjusted outstanding as at 1 April 2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2011	Date of grant	Exercise period	Exercise price per share (adjusted)
Category 2: Employees/consultants								
Employee	3,200,000	–	–	–	3,200,000	14 December 2007	14 December 2007 – 13 December 2017	HK$0.700
Employees	11,800,000	–	(400,000)	–	11,400,000	7 July 2010	7 July 2010 – 6 July 2020	HK$0.213
Employees	8,600,000	–	–	–	8,600,000	9 September 2010	9 September 2010 – 8 September 2020	HK$0.573
Employees	6,400,000	–	–	–	6,400,000	13 September 2010	13 September 2010 – 12 September 2020	HK$0.535
Employees	10,000,000	–	–	(4,800,000)	5,200,000	3 December 2010	3 December 2010 – 2 December 2020	HK$0.533
Consultant	4,640,000	–	–	–	4,640,000	12 August 2010	12 August 2010 – 11 August 2020	HK$0.588
Consultant	1,132,000	–	–	–	1,132,000	6 September 2010	6 September 2010 – 5 September 2020	HK$0.495
Consultant	8,800,000	–	–	–	8,800,000	22 March 2011	22 March 2011 – 21 March 2021	HK$0.500
Consultant	–	10,000,000	–	(10,000,000) *(Note 2)*	–	12 August 2011	12 August 2011 – 11 August 2021	HK$0.438
	54,572,000	10,000,000	(400,000)	(14,800,000)	49,372,000			
Total	**72,932,000**	**23,000,000**	**(3,160,000)**	**(15,000,000)**	**77,772,000**			

Notes:

1. The share options were lapsed during the nine months ended 31 December 2011 upon the retirement of Mr. Leung Chi Kong.

2. The share options were lapsed during the nine months ended 31 December 2011 upon the termination of contract.

3. Save as disclosed above, no other share options have been cancelled or lapsed during the nine months ended 31 December 2011.

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

As at nine months ended 31 December 2011, 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

No. of ordinary shares and underlying shares beneficially held

Name	Capacity	*Notes*	No. of shares	No. of underlying shares	Total no. of shares and underlying shares held	Long/short position	Percentage of interests
New Brilliant	Beneficial owner	*2*	100,396,000	416,666,666	517,062,666	Long	51.10%
Mr. Chui	Interest of a controlled corporation	*2*	100,396,000	416,666,666	517,062,666	Long	51.10%
	Beneficial owner	*3*	4,000	8,800,000	8,804,000	Long	0.87%
	Person acting in concert	*4*	–	493,274,111	493,274,111	Long	48.75%
			100,400,000	918,740,777	1,019,140,777		100.72%
AXA PE Asia Manager Limited	Beneficial owner	*5*	–	493,274,111	493,274,111	Long	48.75%
	Personal acting in concert	*5*	–	525,866,666	525,866,666	Long	51.97%
			–	1,019,140,777	1,019,140,777		100.72%
	Beneficial owner	*6*	–	369,955,582	369,955,582	Short	36.56%
MM3 International Limited	Beneficial owner	*7*	100,000,000	–	100,000,000	Long	9.88%
Forrex (Holding) Inc. ("Forrex")	Beneficial owner	*8*	–	130,296,610	130,296,610	Long	12.88%
Mr. Luwen Kevin Duan ("Mr. Duan")	Interest of a controlled corporation	*7 and 8*	100,000,000	130,296,610	230,296,610	Long	22.76%
Capital VC Limited	Beneficial owner		193,049,000	–	193,049,000	Long	19.08%
Mr. Li Siu Kim	Beneficial owner		90,666,664	–	90,666,664	Long	8.96%
Ms. Ma Pun Sai, Betsy	Beneficial owner		31,312,000	30,000,000	61,312,000	Long	6.06%

Notes:

1. On 31 August 2011, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company pursuant to which each of the issued and unissued share of HK$0.01 each was subdivided into four shares of HK$0.0025 each with effect from 1 September 2011.

Directors' Report

2. New Brilliant was interested in 100,396,000 shares and, pursuant to a subscription agreement dated 22 April 2010 (as supplemented by the supplemental agreement), New Brilliant agreed to subscribe for the convertible bonds in the principal amount of HK$20,000,000 to be issued by the Company at an initial conversion price of HK$0.04 per share and subsequently adjusted to HK$0.048 per share. Accordingly, New Brilliant was interested in 416,666,666 underlying shares of the Company derived from the convertible bonds. New Brilliant is wholly and beneficially owned by Mr. Chui.

3. Mr. Chui had a personal interest in 4,000 shares and 8,800,000 underlying shares of the Company.

4. Mr. Chui was deemed to be interested in 493,274,111 underlying shares in respect of the convertible bonds issued by the Company to AXA Direct Asia II, L.P., a party acting in concert with him.

5. AXA PE Asia Manager Limited, a company incorporated in Jersey which is registered under the Jersey Financial Services Commission, managed the fund of AXA Direct Asia II, L.P. ("AXA"). AXA and Mr. Chui are parties acting in concert. Pursuant to a subscription agreement dated 14 March 2011 (as supplemented by the supplemental agreement), AXA agreed to subscribe for the convertible bonds in the principal amount of US$12,500,000 (equivalent to approximately HK$97,175,000) to be issued by the Company at an initial conversion price of HK$0.787 per share and subsequently adjusted to HK$0.197 per share, which represented 493,274,111 shares. AXA was deemed to be interested in 525,866,666 underlying shares in respect of the convertible bonds issued by the Company to New Billiant and the total number of shares and underlying shares held by New Brilliant and Mr. Chui, a party acting in concert with AXA.

6. A call option deed and put option deed were entered between AXA and New Brilliant, in which call option deed required AXA Direct to sell New Brilliant the convertible bonds up to maximum principal amount of the lesser of (i) US$6,250,000; or (ii) the difference between US$12,500,000 and the aggregate principal amount of the convertible bonds and related conversion shares disposed of by AXA. The put option deed required New Brilliant to purchase from AXA the convertible bonds up to maximum principal amount US$3,125,000 that are outstanding at the maturity date.

7. MM3 International Limited is wholly and beneficially owned by Mr. Duan.

8. The 3% convertible bonds of the Company in the principal amount of HK$30,750,000 was held by Forrex, which are convertible into 130,296,610 shares at the adjusted conversion price of HK$0.236. Forrex is wholly and beneficially owned by Mr. Duan. Forrex is a Director of Era Investment (Holding) Inc., a jointly-controlled entity of the Group.

Save as disclosed above, as at nine months ended 31 December 2011, 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 under the provisions of Divisions 2 and 3 of Part XV 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

For the nine months ended 31 December 2011, the Group's total turnover to the five largest customers accounted for 37% of the Group's revenue (For the twelve months ended 31 March 2011: 27%).

The information in respect of the Group's purchases attributable to the major suppliers for the nine months ended 31 December 2011 is as follow:

	Percentage of the services provided to the Group	
	31 December 2011	31 March 2011
The largest supplier	**70%**	55%
Five largest suppliers in aggregate	**78%**	78%

Directors' Report

At no time during the nine months ended 31 December 2011 did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options holdings and the convertible bonds disclosed above, at no time during the nine months ended 31 December 2011 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

Save as disclosed in note 36 to the consolidated financial statements, 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 nine months ended 31 December 2011 or at any time during the period.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in note 5 to the consolidation 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 exited during the nine months ended 31 December 2011.

CONNECTED TRANSACTIONS

There are no transactions which would need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

During the nine months ended 31 December 2011 and up to the date of this report, Mr. Chui, the Chairman and executive director of the Company, is considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group.

Mr. Chui maintains certain interests of companies which consist of death care and related business in Hong Kong and China. As such, the Board believes that Mr. Chui may, in some respects, regard as being interested in such competing businesses (the "Competing Businesses") with the Group.

However, the Competing Businesses are operating and managing by independent management and administration and the boards of the Competing Businesses are independent from the Board of the Company. Mr. Chui is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its shareholders as a whole. Accordingly, the Group is capable of carrying on its business independently of, and at arm's length from, the Competing Businesses mentioned above.

EMOLUMENT POLICY

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.

SHARE OPTIONS SCHEME

Details of the share options scheme adopted by the Company on 31 August 2011 (the "Scheme") and movements of the shares options during the nine months ended 31 December 2011 are set out in note 31 to the consolidated financial statements.

Information on the accounting policy for share options granted is provided in note 5 to the consolidated financial statements.

Directors' Report

COMMITMENTS

Details of operating leases commitment and capital commitment are set out in note 35 and 37, respectively to the consolidated financial statements.

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 nine months ended 31 December 2011, the Group made charitable and other donations amounting to approximately HK$50,000 (twelve months ended 31 March 2011: HK$344,000).

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Parker Randall CF (H.K.) CPA Limited as auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

The Group has entered into an employment agreement with an employee pursuant to which the employee is appointed as the director of sales and marketing of the Group. The Group would issue 30,000,000 warrants shares to the employee with a subscription price of HK$0.275 per warrant share for a subscription periods of 5 years after the date of the warrants issued on 12 January 2012, subject to the fulfillment of conditions. Details of the issue of warrants is set out in the Company's announcement dated 21 December 2011.

On behalf of the Board

Chui Bing Sun
Chairman

21 March 2012

Management Discussion and Analysis

FINANCIAL AND OPERATION REVIEW

For the nine months ended 31 December 2011, the revenue of Group and its jointly-controlled entity have decreased by 49.0% to approximately HK$10,101,000 (twelve months ended 31 March 2011: HK$19,821,000). The revenue was generated from the death care business and automobile trading business, with the amount of approximately HK$7,132,000 (twelve months ended 31 March 2011: HK$3,589,000) and HK$2,969,000 (twelve months ended 31 March 2011: HK$16,232,000) respectively. The significant decrease in overall revenue is due to the scaling down of the Group's automobile trading during the period. Revenue generated from the Group's current core business, death care segment, was almost doubled.

For the nine months ended 31 December 2011, the gross profit of the Group was approximately HK$5,955,000 (twelve months ended 31 March 2011: HK$3,189,000) and the overall gross profit margin for the Group was 58.95% (twelve months ended 31 March 2011: 16.09%). The significant increase of gross profit and gross profit margin was contributed by the death care business during the period. Death care business has a high profit margin due to a relatively low competition. The Group's loss for the nine months ended 31 December 2011 was approximately HK$35,415,000 while there was approximately HK$41,346,000 of loss incurred for the twelve months ended 31 March 2011. Higher loss in last year is a result of including a discontinued business of exhibition business. The loss for the current nine months period was mainly composed of administrative expenses and finance costs.

Administrative expenses for the nine months ended 31 December 2011 rose by 21.11% to approximately HK$30,706,000 as compared with the twelve months ended 31 March 2011. The increase was mainly attributable to the active rollout of business development plan for the new cemetery and funeral business. During the period, extra work force and office space were deployed in the head quarter in Hong Kong and joint ventures in China.

Finance costs for the nine months ended 31 December 2011 increased by approximately 91.75% to approximately HK$8,023,000 as a result of the interests incurred in convertible bonds, with the amount of approximately HK$7,154,000.

Death care business

Death care business is currently the core business of the Group. Due to the highly fragmented ownership of the industry in both Hong Kong and China, the quality of service and image are inconsistent in the traditional business. The Group is committed to revolutionize this industry through professional management and set benchmarks for industry's best practice by offering affordable quality services, changing people's perception on funeral sector and professionals.

The Group currently held cemetery in (i) Suzhou, Jiangsu Province; (ii) Huaiji, Guangdong Province; and (iii) Bijie, Guizhou Province; with land holding for operating cemetery business of approximately 66,000 square meters, 117,000 square meters and 133,200 square meters, respectively. In additions, Huai Ji Luck Mountain Funeral Tarlour Limited ("Huaiji Crematory"), a subsidiary of the Group, also provides funeral facilities and related crematory services.

The Group's revenues from death care business are mainly derived from cemetery operation and provision of funeral services, respectively.

(1) For cemetery operation, revenue was primarily derived from sales of interment rights (cremation ground burial, mausoleum spaces, columbarium) and other cremation products.

(2) For funeral services, the Group provides a wide range of services in China that includes the use of funeral home facilities for visitation, memorial services and funeral receptions, transportation services, cremation and the sales of caskets, urns and other related merchandise.

Management Discussion and Analysis

Suzhou Cemetery

The Group has utilised part of the proceed from the fund raised to Suzhou Celebrities Cemetery Industries Co. Limited ("Suzhou Cemetery"), a jointly-controlled entity in the PRC, for the site remodeling, planting and infrastructure purpose. The Group under progress for redevelopment aged facilities like establishment of a new reception complex with advanced transportation and car park facilities. A number of new decorative features will install in the existing facilities so that a more modern and friendly environment will be displaced for high-end customers. The construction is expected to complete in mid 2012. With the newly decorated landscape together with the high-ended site facilities, Suzhou Cemetery aims to become one of the most prominent high-end cemetery in China.

The revenue of Suzhou Cemetery is keep increasing and anticipate further growth in coming future upon the completion of the site remodeling. In additions, the Group started to strengthen and broaden its sales channels by networking new agents, partners and have the first sales unit opened in Shanghai. New customers from Suzhou and Shanghai are expected to be covered by these new channels in the coming years.

Huaiji Crematory

Apart from the current funeral and crematory services, Huaiji Crematory also apply for cemetery license in the period under review. Huaiji Crematory will commence the cemetery landscape and design work plan subject to obtaining all necessary licenses and approval. The Group expects this will provide further revenue sources on the sales of burial units with stable growth in the future years supplementing the current revenue stream from services.

Bijie Cemetery

In July 2011, the Group established a joint venture, 畢節敬信陵園管理有限公司 (Bijie Reliance Cemetery Management Company Limited) ("Bijie Cemetery"). Bijie Cemetery is engaged in sales, management and operation of cemeteries services in Guizhou. The statutory procedures with local government is anticipated to be completed and receive the cemetery license in 2012. Bijie Cemetery is currently under a progress of land acquisition and expected to obtain the land use right in later 2012 and its operation will commence by the end of 2012 accordingly.

Automobile trading business

A significant drop of the revenue for automobile trading business was recorded during the period due to the fact that the economics in Japan was seriously affected unexpectedly by the earthquake in March 2011. and the volatile market fluctuation in the world which affect the profitability of the Group's automobile trading business. For these reasons, it is expected the automobile trading business will not be optimistic. Thus, the Group will scale down this operation during the year 2012.

PROSPECTS

In the view of global trend of ageing population and with the potential growth in business of cemetery and funeral services, in particular, in China where the population size is vast with growing economy, the Group will continue to explore opportunities through both merger and acquisition opportunities and organic growth in cemetery, funeral and other related business in the Greater China region. Building on its extensive experience of the management team, solid financial position and strong professional management team that will accelerate the Group's pace to expand its scale of operation and its market share. The Group also committed to build up a professional team of experts in funeral services and cemetery management.

Following the completion of the issue of a five years zero coupon convertible bonds of US$12,500,000 (equivalent to approximately HK$97,175,000) in May 2011 to AXA Direct Asia II, L.P. ("AXA"), the Group established a stronger financial back up to invest and operate in its death care business and for the future investment opportunities in the same industry.

Management Discussion and Analysis

Funeral service

The Group has acquired a licensed funeral undertaking business in Hong Kong during the period and will continue to develop products in provision of funeral service and sales of related funeral products. In this regards, the Group will corporate with other leading service provider for establishing transparent and affordable funeral products to the public.

Preneed contract

The Group will develop and sale its preneed products in 2012 which will provide a stable future revenue stream. Preneed products are in the form of a contract between the service provider and customers so as to enable the customers to plan in advance their own funeral event.

In the long run, the Group aspires to be a pioneer revolutionizing the funeral industry and act of remembrances by providing innovative and comprehensive solutions to the market and intends to become a market leader in the PRC death care industry.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a healthy financial position. As at 31 December 2011, the Group had bank balances and cash of approximately HK$33,949,000 (31 March 2011: HK$5,971,000). This mainly attributable to net cash inflows from financing activities amounted to HK$72,236,000, mainly representing the proceeds from issue of US$12,500,000 (equivalent to approximately HK$97,175,000) five years zero coupon convertible bonds to AXA, a reputed private equity group and repayment of other borrowings amount approximately HK$25,611,000 during the period.

There is net cash inflows from investing activities amounted to approximately HK$11,366,000, comprising mainly acquisition of subsidiary, approximately Hk$928,000 and the injection of capital from non-controlling interests, approximately HK$16,291,000.

As at 31 December 2011, the net current assets and current ratio of the Group were approximately HK$34,899,000 (31 March 2011: net current liabilities HK$23,086,000) and 1.87 (twelve months ended 31 March 2011: 0.41) respectively, which are much improved as compared with that of last year.

The equity attributable to the owner of the Company for the nine ended 31 December 2011 was approximately HK$81,233,000 (twelve months ended 31 March 2011: HK$67,254,000) which shows an increase of 20.79%.

As at 31 December 2011, the total liabilities of the Group was approximately HK$128,976,000 (31 March 2011: HK$98,209,000) which mainly consist of convertible bonds of HK$102,832,000 (31 March 2011: HK$44,597,000) and are capable of conversion into equity.

The gearing ratio (based on the total liabilities over the equity attributable to the owner of the Company) of the Group was maintained satisfactorily from the ratio of 1.46 as at 31 March 2011 to the ratio of 1.59 as at 31 December 2011.

The Board has reviewed the capital structure of the Group and to cope with the future business growth and expansion, potential fund raising exercise may execute in 2012 for potential new investment opportunity and business operation use.

INVESTMENT POSITION AND PLANNING

On 6 July 2011, the Group entered into the joint venture agreement with an independent third party, in relation to the establishment of the Joint Venture Company ("JV Company") for the business in relation to sales, management and operation of cemeteries in Bijie. The Group will indirectly own 60% of the interests in the JV Company. The Group contributed RMB20,000,000 as registered capital of the JV Company in September 2011.

INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

Except for the formation of JV Company as disclosed in above section "Investment position and planning", the Group had not made any material acquisition or disposal during the period.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

For the nine months ended 31 December 2011, the Group and its jointly-controlled entities had 98 (twelve months ended 31 March 2011: 88) employees, including Directors. Total staff costs for the nine months ended 31 December 2011, including Directors' remuneration, amounted to approximately HK$12,927,000 (twelve months ended 31 March 2011: approximately HK$16,778,000). The Group's employment and remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees. The Group also provides provident fund schemes and medical insurance scheme for its employee.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets or any significant contingent liabilities for the nine months ended 31 December 2011.

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 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.

Save as the deviation from the code provision A.2.1, separation of roles of Chairman and Chief Executive Officer pursuant to code provision A.2.1 as disclosed in the section "Chairman and Chief Executive Officer" the Company has met all the Code provisions in Code on Corporate Governance Practices (the "CG Code") during the nine months ended 31 December 2011.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") assumes overall responsibilities for leadership and control of the Company and is collectively responsible for promoting the success of the Company and its business by directing and supervising the Company's affairs. The Board focuses on overall corporate strategies and policies with attention particularly paid to the financial performance of the Company.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

There is a clear division of the responsibilities of the Board and the management. The Board delegated its responsibilities to directors and senior management to deal with day-to-day operations and review those arrangements on a periodic basis.

Management has to report back to the Board and obtain prior approval before making decisions for key matters or entering into any commitments on behalf of the Company. The Board has a balance of skill and experience appropriate for the requirements of the business of the Company.

The Board has established two committees, namely, the Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request.

BOARD MEETINGS

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 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 ensuring 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.

Corporate Governance Report

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.

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.

BOARD COMPOSITION

The Board comprises two 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 name 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 and Remuneration Committees of the Company.

None of the members of the Board is related to one another.

During the nine months ended 31 December 2011, 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 of 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.

Details of attendance of individual director at board meetings during the nine months financial period ended 31 December 2011 are presented as below:

	No. of meetings attended
Executive Directors	
Mr. Chui Bing Sun *(Chairman)*	16/16
Mr. Kwok Kwan Hung	16/16
Independent Non-executive Directors	
Mr. Chan Wai Man	12/12
Mr. Law Yee Man, Thomas (appointed on 12 July 2011)	6/6
Mr. Leung Chi Kong (retired on 31 August 2011)	5/6
Mr. Siu Hi Lam, Alick	10/12

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 Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and CEO, are necessary.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a Remuneration Committee ("RC") with specific terms of reference which deals clearly with its authorities and duties. The RC comprised of three members, namely Mr. Siu Hi Lam, Alick (Chairman of RC), Mr. Chan Wai Man and Mr. Law Yee Man, Thomas, all of them are independent non-executive directors of the Company.

The role and function of RC is to oversee board remuneration matters, including recommend the Board on the Company's policies and structure for the remuneration of the directors and senior management, determine the remuneration packages of all executive directors and senior management, review and approving their performance-based remuneration, review and approving compensation to directors and senior management in connection with any loss or termination of their office or appointment, and to ensure that no director or any of his associates is involved in deciding his own remuneration.

The RC is also authorised to investigate any matter within its terms of reference and seek any information it requires from any employee and obtain outside legal or other independent professional advice at the cost of the Company if necessary.

A meeting of the RC was held to review the compensation of directors and senior management. Details of attendance of individual member at the RC meetings during the nine months period ended 31 December 2011 are presented as below:

	No. of meetings attended
RC Members	
Mr. Chan Wai Man	1/1
Mr. Law Yee Man, Thomas (appointed on 12 July 2011)	N/A
Mr. Leung Chi Kong (retired on 31 August 2011)	1/1
Mr. Siu Hi Lam, Alick (Chairman)	1/1

The RC of the Company considered that the existing terms of employment of all executive directors and appointment letters of independent non-executive directors of the Company are fair and reasonable.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Board as a whole is responsible for the appointment of its own members and does not establish a Nomination Committee during the period under review. 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 and will review the need for Nomination Committee at a later time.

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 Annual General Meeting ("AGM") after their appointment and thereafter at least once every three years in accordance with the Bye-laws of the Company.

Corporate Governance Report

For compliance with the new provision of the CG Code to be effective on 1 April 2012, the Company will establish a Nomination Committee with written specific terms of reference accordingly.

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.

AUDIT COMMITTEE

The Company has established an Audit Committee ("AC") with specific terms of reference explaining its role and authorities delegated by the Board. The AC consists of three independent non-executive Directors, namely Mr. Chan Wai Man (Chairman of AC), Mr. Law Yee Man, Thomas and Mr. Siu Hi Lam, Alick, who together have sufficient accounting and financial management expertise, legal and business experience to discharge their duties and none of them is a former partner of the external auditors of the Company. In accordance with the provisions of the CG Code, the terms of reference of the AC were also revised which are substantially the same as the provisions set out in the CG Code.

The AC's principal duties include reviewing the Group's financial controls, internal control and risk management systems, reviewing and monitoring integrity of consolidated financial statements and reviewing annual, interim and quarterly consolidated financial statements and reports before submission to the Board and considering and recommending the appointment, re-appointment and removal of external auditors of the Company. The AC meets with the external auditors and the management of the Group to ensure that the audit findings are addressed properly. The AC is authorized to take independent professional advice at Company's expense, if necessary.

The AC has reviewed the annual, interim and quarterly results of the Company for the nine months ended 31 December 2011 and was consent that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

Details of attendance of individual member at the AC meetings during the nine months ended 31 December 2011 are presented as below:

	No. of meetings attended
AC Members	
Mr. Chan Wai Man (Chairman)	3/3
Mr. Law Yee Man, Thomas (appointed on 12 July 2011)	2/2
Mr. Leung Chi Kong (retired on 31 August 2011)	2/2
Mr. Siu Hi Lam, Alick	3/3

The consolidated financial statements of the Company for the nine months ended 31 December 2011 have been audited by Parker Randall CF (H.K.) CPA Limited ("Parker"). During the period, remuneration of approximately HK$380,000 was paid to Parker for the provision of audit services and approximately HK$5,000 was paid for the provision of non-audit services including financial consulting.

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the financial statements of the Company for the nine months ended 31 December 2011.

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 nine months ended 31 December 2011, the Directors have adopted suitable accounting policies and applied them consistently.

Corporate Governance Report

The responsibility of the auditors with respect to these consolidated financial statements is set out in the Independent Auditors' Report on pages 30 to 31 of this Annual Report.

INTERNAL CONTROLS

The Board has conducted review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions for the nine months ended 31 December 2011 in respect of the major operations of the Group. The company has set up an internal control department to monitor the overall internal control system of the Group. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

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 Stock Exchange website and of the Company's website, 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.

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 Exchange's websites.

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 Annual General Meeting ("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.

SHAREHOLDER RIGHTS

To safeguard shareholder interest and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

Independent Auditors' Report

暉誼(香港)會計師事務所有限公司
PARKER RANDALL CF (H.K.) CPA LIMITED

To the shareholders of
SAGE INTERNATIONAL GROUP LIMITED
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of Sage International Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 32 to 95, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 April 2011 to 31 December 2011, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's loss and cash flows for the period from 1 April 2011 to 31 December 2011 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Parker Randall CF (H.K.) CPA Limited
Certified Public Accountants
Seto Man Fai
Practising Certificate No.: P05229
Hong Kong

21 March 2012

Consolidated Income Statement

For the period from 1 April 2011 to 31 December 2011

	Notes	1 April 2011 to 31 December 2011 HK$'000	1 April 2010 to 31 March 2011 HK$'000
CONTINUING OPERATIONS			
Revenue	8	**10,101**	19,821
Cost of sales		**(4,146)**	(16,632)
Gross profit		**5,955**	3,189
Other income	8	**1,128**	744
Share-based payment		**(3,769)**	(9,312)
Administrative expenses		**(30,706)**	(25,353)
Finance costs	9	**(8,023)**	(4,184)
LOSS BEFORE TAX	10	**(35,415)**	(34,916)
Income tax expense	13	**–**	(2)
LOSS FOR THE PERIOD/YEAR FROM CONTINUING OPERATIONS		**(35,415)**	(34,918)
DISCONTINUED OPERATION			
Loss for the period/year from a discontinued operation	14	**–**	(6,428)
LOSS FOR THE PERIOD/YEAR		**(35,415)**	(41,346)
Attributable to:			
Owners of the Company		**(35,163)**	(41,617)
Non-controlling interests		**(252)**	271
		(35,415)	(41,346)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	16		
Basic			
– For loss for the period/year		**HK$(0.035)**	HK$(0.059)
– For loss from continuing operations		**HK$(0.035)**	HK$(0.050)
Diluted			
– For loss for the period/year		**N/A**	N/A
– For loss from continuing operations		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the period from 1 April 2011 to 31 December 2011

	1 April 2011 to 31 December 2011 HK$'000	1 April 2010 to 31 March 2011 HK$'000
Loss for the period/year	**(35,415)**	(41,346)
Other comprehensive income:		
Reclassification adjustments for loss on disposal of subsidiaries included in the consolidated income statement	**–**	(1,590)
Exchange differences on translation of foreign operations	**(476)**	(47)
Other comprehensive loss for the period/year, net of tax	**(476)**	(1,637)
Total comprehensive loss for the period/year	**(35,891)**	(42,983)
Attributable to:		
Owners of the Company	**(35,639)**	(43,254)
Non-controlling interests	**(252)**	271
	(35,891)	(42,983)

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	31 December 2011 HK$'000	31 March 2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*17*	**16,557**	14,110
Prepaid land lease payments	*18*	**447**	2,064
Goodwill	*19*	**127,203**	126,807
Intangible assets	*20*	**37**	–
TOTAL NON-CURRENT ASSETS		**144,244**	142,981
CURRENT ASSETS			
Inventories	*23*	**4,612**	2,434
Prepayments, deposits and other receivables	*24*	**36,677**	7,311
Cash and cash equivalents	*25*	**33,949**	5,971
TOTAL CURRENT ASSETS		**75,238**	15,716
CURRENT LIABILITIES			
Trade payables	*26*	**502**	733
Other payables and accruals	*27*	**9,700**	12,471
Income tax payable		**5**	5
Other borrowings	*28*	**1,222**	25,593
Convertible bonds	*29*	**28,910**	–
TOTAL CURRENT LIABILITIES		**40,339**	38,802
NET CURRENT ASSETS/(LIABILITIES)		**34,899**	(23,086)
TOTAL ASSETS LESS CURRENT LIABILITIES		**179,143**	119,895
NON-CURRENT LIABILITIES			
Other borrowings	*28*	**14,715**	14,810
Convertible bonds	*29*	**73,922**	44,597
TOTAL NON-CURRENT LIABILITIES		**88,637**	59,407
NET ASSETS		**90,506**	60,488
CAPITAL AND RESERVES			
Share capital	*30*	**2,530**	2,522
Reserves	*32*	**78,703**	64,732
Equity attributable to owners of the Company		**81,233**	67,254
Non-controlling interests		**9,273**	(6,766)
TOTAL EQUITY		**90,506**	60,488

The consolidated financial statements on pages 32 to 95 were approved and authorised for issue by the Board of Directors on 21 March 2012 and are signed on its behalf by:

Chui Bing Sun
Director

Kwok Kwan Hung
Director

Statement of Financial Position

At 31 December 2011

	Notes	31 December 2011 HK$'000	31 March 2011 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	21	**78**	78
Amounts due from subsidiaries	21	**195,538**	147,852
TOTAL NON-CURRENT ASSETS		**195,616**	147,930
CURRENT ASSETS			
Other receivables		**109**	860
Cash and bank balances		**16,529**	1,448
TOTAL CURRENT ASSETS		**16,638**	2,308
CURRENT LIABILITIES			
Other payables and accruals		**4,344**	5,335
Other borrowings	28	**–**	25,000
Amount due to a subsidiary		**719**	58
Convertible bonds	29	**28,910**	–
TOTAL CURRENT LIABILITIES		**33,973**	30,393
NET CURRENT LIABILITIES		**(17,335)**	(28,085)
TOTAL ASSETS LESS CURRENT LIABILITIES		**178,281**	119,845
NON-CURRENT LIABILITY			
Convertible bonds	29	**73,922**	44,597
NET ASSETS		**104,359**	75,248
CAPITAL AND RESERVES			
Share capital	30	**2,530**	2,522
Reserves	32	**101,829**	72,726
TOTAL EQUITY		**104,359**	75,248

Chui Bing Sun
Director

Kwok Kwan Hung
Director

Consolidated Statement of Changes in Equity

For the period from 1 April 2011 to 31 December 2011

	Attributable to owners of the Company												
	Share capital HK$'000 *(note 30)*	**Share premium** HK$'000	**Contributed surplus** HK$'000 *(note 32)*	**Translation reserve** HK$'000	**Capital reserve** HK$'000 *(note 32)*	**PRC statutory reserve** HK$'000 *(note 32)*	**Share options reserve** HK$'000 *(note 31)*	**Warrants reserve** HK$'000 *(note 31)*	**Convertible bonds equity reserve** HK$'000 *(note 29)*	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 April 2010	9,756	28,857	–	1,394	900	741	811	–	–	(33,295)	9,164	55	9,219
Total comprehensive (loss)/income for the year	–	–	–	(1,637)	–	–	–	–	–	(41,617)	(43,254)	271	(42,983)
Issue of shares for top-up placing	1,951	10,146	–	–	–	–	–	–	–	–	12,097	–	12,097
Share issue expenses	–	(406)	–	–	–	–	–	–	–	–	(406)	–	(406)
Share consolidation and capital reduction	(19,866)	(59,872)	31,713	–	–	–	–	–	–	48,025	–	–	–
Issue of convertible bonds	–	–	–	–	–	–	–	–	22,693	–	22,693	–	22,693
Issue of shares for conversion of convertible bonds	10,590	58,667	–	–	–	–	–	–	(15,247)	–	54,010	–	54,010
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(1,199)	(1,199)
Purchase of shareholding in a jointly-controlled entity	–	–	–	–	–	–	–	–	–	–	–	(5,864)	(5,864)
Disposal of a subsidiary	–	–	–	–	(900)	(741)	–	–	–	1,641	–	(29)	(29)
Equity-settled share options arrangement	–	–	–	–	–	–	9,313	–	–	–	9,313	–	9,313
Issue of shares for exercise of share options	91	4,856	–	–	–	–	(1,310)	–	–	–	3,637	–	3,637
At 31 March 2011 and 1 April 2011	2,522	42,248	31,713	(243)	–	–	8,814	–	7,446	(25,246)	67,254	(6,766)	60,488
Total comprehensive loss for the period	–	–	–	(476)	–	–	–	–	–	(35,163)	(35,639)	(252)	(35,891)
Issue of convertible bonds	–	–	–	–	–	–	–	–	45,177	–	45,177	–	45,177
Capital contribution from non-controlling interests of subsidiary	–	–	–	–	–	–	–	–	–	–	–	16,291	16,291
Lapsed of share options	–	–	–	–	–	–	(272)	–	–	272	–	–	–
Equity-settled warrants arrangement	–	–	–	–	–	–	–	2,041	–	–	2,041	–	2,041
Equity-settled share options arrangement	–	–	–	–	–	–	1,728	–	–	–	1,728	–	1,728
Issue of shares for exercise of share options	8	973	–	–	–	–	(309)	–	–	–	672	–	672
At 31 December 2011	**2,530**	**43,221**	**31,713**	**(719)**	**–**	**–**	**9,961**	**2,041**	**52,623**	**(60,137)**	**81,233**	**9,273**	**90,506**

Consolidated Statement of Cash Flows

For the period from 1 April 2011 to 31 December 2011

	Notes	1 April 2011 to 31 December 2011 HK$'000	1 April 2010 to 31 March 2011 HK$'000 (Restated)
Operating Activities			
Loss before tax:			
From continuing operations		**(35,415)**	(34,916)
From a discontinued operation		**–**	(5,274)
		(35,415)	(40,190)
Adjustments for:			
Depreciation		**1,397**	1,383
Amortisation on prepaid land lease payments		**22**	55
Equity-settled share options expense		**1,728**	9,312
Equity-settled warrant expenses		**2,041**	–
Loss on disposal of property, plant and equipment		**629**	485
Loss on disposal of subsidiaries		**–**	2,162
Gain on initial recognition of other borrowings at fair value		**–**	(557)
Finance costs		**6,904**	4,184
Written off of accumulated depreciation of fixed assets		**(222)**	–
		(22,916)	(23,166)
Decrease/(increase) in inventories		**110**	(90)
Decrease in trade receivables		**–**	756
Increase in prepayments, deposits and other receivables		**(29,341)**	(6,746)
Decrease in trade payables		**(231)**	(665)
(Decrease)/increase in other payables and accruals		**(3,412)**	7,332
Cash used in operations		**(55,790)**	(22,579)
Interest paid		**–**	(330)
Overseas income taxes paid		**–**	(1,260)
Net Cash Used in Operating Activities		**(55,790)**	(24,169)
Investing Activities			
Purchases of property, plant and equipment		**(3,694)**	(4,046)
Acquisition of a subsidiary	*33a*	**(928)**	(17,772)
Injection of capital from non-controlling interests		**16,291**	–
Purchase of shareholding in a jointly-controlled entity	*33b*	**–**	(39,984)
Disposal of a subsidiary	*34*	**–**	(14,459)
Addition to intangible asset		**(37)**	–
Acquisition of prepaid land lease payment		**(266)**	–
Net Cash Generated from/(Used in) Investing Activities		**11,366**	(76,261)
Financing Activities			
Proceeds from issue of shares for top-up pricing		**–**	12,097
Share issue expenses		**(309)**	(406)
Proceeds from issue of convertible bonds	*29*	**97,175**	50,870
Proceeds from exercise of share options		**981**	3,638
Capital element of finance lease rental payments		**–**	(12)
Proceeds from other borrowings		**–**	21,914
Interest paid on convertible bonds		**–**	(630)
Repayment of other borrowings		**(25,611)**	–
Net Cash Generated from Financing Activities		**72,236**	87,471
Net increase/(decrease) in cash and cash equivalents		**27,812**	(12,959)
Cash and cash equivalents at the beginning of the period/year		**5,971**	18,927
Effects of foreign exchange rate changes, net		**166**	3
Cash and cash equivalents at the end of the period/year		**33,949**	5,971

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

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 the Bermuda.

The Company's shares are 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 and principal place of business are disclosed in the section headed "Corporate Information" of the Company's Annual Report.

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 21 to the consolidated financial statements.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

They have been prepared under the historical cost convention, except for convertible bonds and share-based payment. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The board of directors of the Company announced on 10 November 2011 the change of financial year end date of the Company from 31 March to 31 December with effect from 31 March 2011 to align the financial year end date of the Company with that of subsidiaries. The consolidated financial statements presented therefore covered a nine-month period from 1 April 2011 to 31 December 2011. The corresponding comparative amounts shown for the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and related notes cover a twelve-month period from 1 April 2010 to 31 March 2011 and therefore may not be comparable to those amounts shown for the current period.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

2. BASIS OF PRESENTATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the period from 1 April 2011 to 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted all of the new and revised HKFRSs which are relevant to its operations and effective for accounting periods beginning on or after 1 April 2011.

The adoption of the new and revised HKFRSs has had no significant financial effect on these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	1 July 2011
HKFRS 7 (Amendments)	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*	1 July 2011
HKFRS 7 (Amendments)	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
HKFRS 9	*Financial Instruments*	1 January 2015
HKFRS 10	*Consolidated Financial Statements*	1 January 2013
HKFRS 11	*Join Arrangements*	1 January 2013
HKFRS 12	*Disclosure of Interests in Other Entities*	1 January 2013
HKFRS 13	*Fair Value Measurement*	1 January 2013
HKAS 1 (Amendments)	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*	1 July 2012
HKAS 12 (Amendments)	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*	1 January 2012
HKAS 19 (2011)	*Employee Benefits*	1 January 2013
HKAS 27 (2011)	*Separate Financial Statements*	1 January 2013
HKAS 28 (2011)	*Investments in Associates and Join Ventures*	1 January 2013
HKAS 32 (Amendments)	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*	1 January 2014
HK(IFRIC) Int – 20	*Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013

HKFRS 1 Amendments introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation, whereby these entities can elect fair value as the deemed cost for assets and liabilities affected by severe hyperinflation in their first HKFRS financial statements. The amendments also remove the legacy fixed dates in HKFRS 1 relating to derecognition and day one gain or loss transactions. The amendments will not have any financial impact on the Group.

HKFRS 7 Amendments require an entity to disclose both quantitative and qualitative information for the derecognition of financial assets where the entity has a continuing involvement in the derecognised assets. The Group expects to adopt HKFRS 7 Amendments from 1 January 2012. As the Group does not have continuing involvement in the derecognised assets, the amendments will not have any financial impact on the Group.

HKFRS 7 Amendments issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013. The application of the amendments is unlikely to have any material financial impact on the Group.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions"). The changes only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income will create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 Consolidated and Separate Financial Statements and HK(SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 replaces the portion of HKAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12. The application of this new standard is unlikely to have any material financial impact on the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e. joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The application of this new standard is unlikely to have any material financial impact on the Group.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use has already been required or permitted under other HKFRSs. The Group expects to adopt the standard from 1 January 2013. The application of this new standard is unlikely to have any material financial impact on the Group.

HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013. The amendments affect presentation only and have no impact on the Group's financial position or performance.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC) – Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012. The application of the amendments is unlikely to have any material financial impact on the Group.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013. The application of this new standard is unlikely to have any material financial impact on the Group.

HKAS 32 Amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalent to net settlements. The Group expects to adopt the amendments from 1 January 2014. The application of these amendments is unlikely to have any material financial impact on the Group.

HK(IFRIC) – Int 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realized in the form of inventory produced, the costs incurred are accounted for in accordance with HKAS 2 Inventories. To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets. The interpretation has no financial impact on the Group.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in its jointly-controlled entities are accounted for by the proportionate consolidation method, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

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

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquire over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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.

Impairment is determined by assessing the recoverable amount 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.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), 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.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, 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 depreciation them accordingly.

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

Buildings	$3\frac{1}{3}\% – 33\frac{1}{3}\%$
Leasehold improvements	20%
Machineries	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.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

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

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

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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset 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.

Software license

Software license represent the costs of acquiring operating rights for accounting software used by a subsidiary. Software license are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

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.

Financial assets

Initial recognition and measurement

Financial assets of the Group within the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include prepayment, deposits and other receivables and cash and cash equivalents.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

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

Financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans ad in other expenses for receivables.

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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

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

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Cash and cash equivalents

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

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

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

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group within the scope of HKAS 39 are classified as financial liabilities at amortised costs. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, other borrowings and convertible bonds.

Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Revenue recognition

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

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

(b) from the rendering of services including cremation, funeral arrangement and funeral services in funeral parlours and funeral service centres, exhibition organisation income and promotion and marketing income, on the percentage of completion basis, when the services are rendered; and

(c) interest income, 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.

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.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

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

Leases

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

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. 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.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Share-based payment transactions

The Company operates a share options scheme and warrants 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 for grants after 7 November 2002 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 using a black-scholes option pricing model, further details of which are given in note 31 to the consolidated financial statements.

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.

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.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

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

Share-based payment transactions *(Continued)*

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.

Other employee benefits

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. 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 subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its 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.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in total comprehensive income or profit or loss, respectively.)

The functional currencies of certain overseas subsidiaries and jointly-controlled entities are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and jointly-controlled entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

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

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.

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

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

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

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

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

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, 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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets (other than goodwill)

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 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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

7. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable continuing operating segments as follows:

(a) cemetery operation and funeral services; and

(b) trading of automobile and accessories.

The exhibition organisation operation was discontinued in previous reporting period. The segment information reported on the followings does not include any amounts for the discontinued operation, which are described in more details in note 14.

The following is an analysis of the Group's revenue and results by reportable segment for the period from 1 April 2011 to 31 December 2011:

Revenue from continuing operations

	Cemetery operation and funeral services HK$'000	Trading of automobile and accessories HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	**7,132**	**2,969**	**10,101**
Segment results	**(1,562)**	**(7)**	**(1,569)**
Reconciliation:			
Other income			**488**
Corporate and other unallocated expenses			**(26,998)**
Finance costs			**(7,336)**
Loss before tax from continuing operations			**(35,415)**
Segment assets	**188,831**	**21**	**188,852**
Reconciliation:			
Corporate and unallocated assets			**30,630**
Total assets			**219,482**
Other segment information:			
Depreciation and amortisation	**433**	**–**	**433**
Capital expenditure	**1,150**	**–**	**1,150**

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

7. OPERATING SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by reportable segment for the year ended 31 March 2011:

Revenue from continuing operations

	Cemetery operation and funeral services HK$'000	Trading of automobile and accessories HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	3,589	16,232	19,821
Segment results	865	(17)	848
Reconciliation:			
Other income			744
Corporate and other unallocated expenses			(32,324)
Finance costs			(4,184)
Loss before tax from continuing operations			(34,916)
Segment assets	147,568	1,584	149,152
Reconciliation:			
Corporate and unallocated assets			9,545
Total assets			158,697
Other segment information:			
Depreciation and amortisation	183	–	183
Capital expenditure	9	–	9

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

7. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	1 April 2011 to 31 December 2011 HK$'000	1 April 2010 to 31 March 2011 HK$'000
Japan	**2,969**	16,232
The People's Republic of China (the "PRC")	**7,132**	3,589
	10,101	19,821

The revenue information from continuing operations above is based on the location of the customers.

(b) Non-current assets

	31 December 2011 HK$'000	31 March 2011 HK$'000
The PRC	**139,483**	138,588
Hong Kong	**4,761**	4,393
	144,244	142,981

The non-current assets information from continuing operations above is based on the location of assets.

Information about a major customer

Revenue from continuing operations of approximately HK$2,969,000 (31 March 2011: HK$16,232,000) was derived from sales by the trading of automobile and accessories segment to a single customer.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

8. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and the value of services rendered during the period/year.

An analysis of revenue and other income from continuing operations is as follows:

	1 April 2011 to 31 December 2011 HK$'000	1 April 2010 to 31 March 2011 HK$'000
Revenue		
Cemetery operation and funeral services income	**7,132**	3,589
Sales of automobile and accessories	**2,969**	16,232
	10,101	19,821
Other income		
Foreign exchange gain, net	**117**	4
Other interest income	**295**	–
Sundry income	**716**	183
Gain on initial recognition of other borrowings at fair value	**–**	557
	1,128	744
	11,229	20,565

9. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	1 April 2011 to 31 December 2011 HK$'000	1 April 2010 to 31 March 2011 HK$'000
Interest on:		
– Other borrowings wholly repayable within five years	**182**	327
– Other borrowings wholly repayable after five years	**667**	444
– Convertible bonds	**7,154**	3,410
Bank overdraft	**–**	3
Others	**20**	–
	8,023	4,184

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

10. LOSS BEFORE TAX

The Group's loss before tax from continuing operations is arrived at after charging:

	1 April 2011 to 31 December 2011 HK$'000	1 April 2010 to 31 March 2011 HK$'000
Cost of sales	**4,146**	16,632
Depreciation	**1,397**	1,386
Amortisation of prepaid land lease payments	**22**	55
Auditors' remuneration	**380**	380
Minimum lease payments under operating leases in respect of land and buildings	**2,038**	1,230
Employee benefits expense (including directors' remuneration note 11):		
– Salaries and other benefits	**11,105**	7,379
– Equity-settled share options expense	**1,728**	9,312
	12,833	16,691
– Pension schemes contributions	**94**	87
	12,927	16,778
Equity-settled warrants expenses	**2,041**	–
Loss on disposal of property, plant and equipment	**629**	485
Loss on disposal of subsidiaries	**–**	2,162

11. DIRECTORS' REMUNERATION

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

From 1 April 2011 to 31 December 2011	**Fees HK$'000**	**Salaries, allowances and benefits in kind HK$'000**	**Performance related bonuses HK$'000**	**Equity-settled share options expense HK$'000**	**Pension schemes contributions HK$'000**	**Total remuneration HK$'000**
Executive directors:						
Mr. Chui Bing Sun	**–**	**2,160**	**390**	**–**	**9**	**2,559**
Mr. Kwok Kwan Hung	**–**	**1,230**	**210**	**369**	**9**	**1,818**
	–	**3,390**	**600**	**369**	**18**	**4,377**
Independent non-executive directors:						
Mr. Chan Wai Man	**108**	**–**	**–**	**37**	**–**	**145**
Mr. Law Yee Man, Thomas (appointed on 12 July 2011)	**68**	**–**	**–**	**46**	**–**	**114**
Mr. Leung Chi Kong (retired on 31 August 2011)	**60**	**–**	**–**	**–**	**–**	**60**
Mr. Siu Hi Lam, Alick	**108**	**–**	**–**	**37**	**–**	**145**
	344	**–**	**–**	**120**	**–**	**464**
	344	**3,390**	**600**	**489**	**18**	**4,841**

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

11. DIRECTORS' REMUNERATION *(Continued)*

Year ended 31 March 2011	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share options expense HK$'000	Pension schemes contributions HK$'000	Total remuneration HK$'000
Executive directors:						
Mr. Chui Bing Sun	–	2,175	–	1,191	12	3,378
Mr. Lee Chi Shing, Caesar (resigned on 1 September 2010)	–	110	–	–	5	115
Mr. Kwok Kwan Hung	–	1,300	–	1,097	12	2,409
	–	3,585	–	2,288	29	5,902
Independent non-executive directors:						
Mr. Chan Wai Man	144	–	–	18	–	162
Mr. Leung Chi Kong	144	–	–	18	–	162
Mr. Siu Hi Lam, Alick	144	–	–	37	–	181
	432	–	–	73	–	505
	432	3,585	–	2,361	29	6,407

There was no arrangement under which a director waived or agreed to waive any remuneration during the period/year (31 March 2011: nil).

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the period/year included two (31 March 2011: two) directors, details of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining three (31 March 2011: three) non-director, highest paid employees for the period/year are as follows:

	1 April 2011 to 31 December 2011 HK$'000	1 April 2010 to 31 March 2011 HK$'000
Salaries, allowances and benefits in kind	**1,805**	1,386
Performance related bonuses	**40**	–
Equity-settled share options expense	**–**	2,513
Pension schemes contributions	**24**	20
	1,869	3,919

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

	Number of employees	
	1 April 2011 to 31 December 2011	1 April 2010 to 31 March 2011
Nil – HK$1,000,000	**3**	1
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**–**	1
	3	3

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

13. INCOME TAX EXPENSE

	1 April 2011 to 31 December 2011 HK$'000	1 April 2010 to 31 March 2011 HK$'000
Current:		
PRC Enterprise Income Tax ("EIT")	–	2

Hong Kong profits tax is calculated at 16.5% (31 March 2011: 16.5%) on the estimated assessable profits for the period/year. No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the period/year (31 March 2011 : nil).

The PRC subsidiaries are subject to the PRC EIT at 25% (31 March 2011: 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 tax at the statutory rates for the countries (or jurisdictions) in which the Company, its subsidiaries and jointly-controlled entities are domiciled to the tax expense at the effective tax rates are as follows:

	1 April 2011 to 31 December 2011 HK$'000	1 April 2010 to 31 March 2011 HK$'000
Loss before tax from continuing operations	(35,415)	(34,916)
Tax at statutory tax rates	(1,926)	(958)
Expenses not deductible for tax	96	199
Others	(87)	(232)
Utilise of tax losses	1	–
Tax losses not recognised	1,916	993
Tax charge at the Group's effective rate	–	2

The Group has tax losses arising in Hong Kong of approximately HK$23,751,000 (31 March 2011: HK$14,402,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in the PRC of approximately HK$26,203,000 (31 March 2011: HK$14,793,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised in the near future.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

14. DISCONTINUED OPERATION

On 5 January 2011, the Company announced the decision of its board of directors to dispose of its subsidiary, Infosky Group Limited. Infosky Group Limited and its subsidiaries (collectively "Infosky Group") engage in the provisions of exhibition organisation, promotion and marketing and publication services. The Group has decided to dispose of Infosky Group Limited because the Company plans to focus its resources on its core businesses. The disposal of Infosky Group Limited was completed on 4 March 2011.

The results of Infosky Group for the year ended 31 March 2011 are presented below:

	1 April 2010 to 31 March 2011 HK$'000
Revenue	46,278
Other income	409
Expenses	(51,960)
Finance costs	–
Loss before tax	(5,273)
Income tax expense	(1,155)
Loss for the year from the discontinued operation	(6,428)

The net cash flows incurred by Infosky Group are as follows:

	1 April 2010 to 31 March 2011 HK$'000
Operating activities	810
Investing activities	(608)
Financing activities	–
Net cash inflow	202

	1 April 2010 to 31 March 2011 HK$
Loss per share:	
From the discontinued operation	
– Basic	(0.009)
– Diluted	N/A

The calculations of basic and diluted loss per share from the discontinued operation are based on the loss for the year from a discontinued operation of HK$6,428,000 and the denominators detailed in note 16 for both basic and diluted loss per share.

15. DIVIDENDS

No dividend was paid or proposed during the period ended 31 December 2011, nor has any dividend been proposed since the end of the reporting period (31 March 2011: nil)

Notes to the Consolidated Financial Statements

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16. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the period/year attributable to owners of the Company, and the weighted average number of ordinary shares of 1,011,632,218 (31 March 2011: 701,428,493) in issue during the period/year, as adjusted to reflect the share consolidation during the reporting period.

No adjustment has been made to the basic loss per share amounts presented for the ended of reporting period as at 31 December 2011 and 31 March 2011 in respect of a dilution as the impact of the share options, convertible bonds and warrants outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of the basic and diluted loss per share attributable to the owners of the Company are based on:

	1 April 2011 to 31 December 2011 HK$'000	1 April 2010 to 31 March 2011 HK$'000
Loss		
Loss attributable to owners of the Company used in the basic loss per share calculation:		
– From continuing operations	**(35,163)**	(35,215)
– From a discontinued operation	**–**	(6,402)
	(35,163)	(41,617)
Interest on convertible bonds	**7,154**	3,410
Loss attributable to owners of the Company before interest on convertible bonds	**(28,009)**	(38,207)
Attributable to:		
Continuing operations	**(28,009)**	(31,805)
Discontinued operation	**–**	(6,402)
	(28,009)	(38,207)

	1 April 2011 to 31 December 2011	1 April 2010 to 31 March 2011
Shares		
Weighted average number of ordinary shares in issue during the period/year used in the basic loss per share calculation	**1,011,632,218**	701,428,493
Effect of dilution – weighted average number of ordinary shares:		
Share options	**6,141,256**	6,036,502
Convertible bonds	**946,963,738**	377,963,199
Warrants	**–**	–
Weighted average number of ordinary shares used in the diluted loss per share calculation	**1,964,737,212**	1,085,428,194

The weighted average number of ordinary shares for the purpose of basis loss per share for the period/year have been adjusted as a result of the share subdivision.

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For the period from 1 April 2011 to 31 December 2011

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	**Leasehold improvement**	**Construction in progress**	**Machineries**	**Furniture and equipment**	**Motor vehicles**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:							
At 1 April 2010	–	1,368	–	–	6,111	2,684	10,163
Additions	–	2,705	–	–	532	808	4,045
Acquisition of a subsidiary	11,448	–	–	639	130	1,359	13,576
Purchase of shareholding in a jointly-controlled entity	1,846	–	–	–	37	146	2,029
Disposals	–	(647)	–	–	–	–	(647)
Disposal of a subsidiary	–	(721)	–	–	(5,359)	(2,072)	(8,152)
Exchange realignment	76	–	–	2	23	10	111
At 31 March 2011	13,370	2,705	–	641	1,474	2,935	21,125
Additions	2,755	327	256	–	356	–	3,694
Acquisition of a subsidiary	–	828	–	–	98	385	1,311
Disposals	(730)	–	–	–	(120)	(492)	(1,342)
Transfer out	(368)	–	–	–	–	–	(368)
Exchange realignment	426	–	–	20	3	42	491
At 31 December 2011	**15,453**	**3,860**	**256**	**661**	**1,811**	**2,870**	**24,911**
Accumulated depreciation and impairment:							
At 1 April 2010	–	375	–	–	4,877	1,420	6,672
Charge for the year	102	384	–	7	511	382	1,386
Acquisition of a subsidiary	4,035	–	–	236	126	1,021	5,418
Purchase of shareholding in a jointly-controlled entity	315	–	–	–	24	70	409
Written back on disposals	–	(162)	–	–	–	–	(162)
Disposal of a subsidiary	–	(475)	–	–	(4,915)	(1,361)	(6,751)
Exchange realignment	21	–	–	1	14	7	43
At 31 March 2011	4,473	122	–	244	637	1,539	7,015
Charge for the period	403	457	–	31	234	272	1,397
Acquisition of a subsidiary	–	216	–	–	98	385	699
Eliminated on disposals	(117)	–	–	–	(117)	(479)	(713)
Transfer out	(222)	–	–	–	–	–	(222)
Exchange realignment	137	–	–	8	3	30	178
At 31 December 2011	**4,674**	**795**	**–**	**283**	**855**	**1,747**	**8,354**
Net carrying amounts:							
At 31 December 2011	**10,779**	**3,065**	**256**	**378**	**956**	**1,123**	**16,557**
At 31 March 2011	8,897	2,583	–	397	837	1,396	14,110

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For the period from 1 April 2011 to 31 December 2011

18. PREPAID LAND LEASE PAYMENTS

	31 December 2011 HK$'000	31 March 2011 HK$'000
Net carrying amount:		
At beginning of the period/year	**2,064**	–
Acquisition of a subsidiary	**–**	2,081
Addition	**266**	–
Amortisation charge for the period/year	**(22)**	(55)
Transfer to inventories	**(1,920)**	–
Exchange realignment	**59**	38
At end of the reporting period/year	**447**	2,064

The Group's prepaid land lease payments represent the payments for land use rights in the PRC held under long term lease.

19. GOODWILL

	31 December 2011 HK$'000	31 March 2011 HK$'000
Cost:		
At beginning of the period/year	**126,807**	7,790
Disposal of a subsidiary	**–**	(7,790)
Acquisition of a subsidiary (note 33a)	**396**	9,125
Purchase of shareholding in a jointly-controlled entity	**–**	117,682
At end of the reporting period/year	**127,203**	126,807
Accumulated impairment:		
At beginning of the period/year	**–**	7,790
Attributable to disposal of a subsidiary	**–**	(7,790)
At end of the reporting period/year	**–**	–
Net carrying amount:		
At end of the reporting period/year	**127,203**	126,807

For the purposes of impairment testing, goodwill has been allocated to individual cash generating unit ("CGU"), that represent subsidiaries and a jointly-controlled entity, respectively, in the cemetery operation and funeral service segment.

During the reporting period, the management of the Group determines that there is no impairment of the above CGU containing goodwill.

The recoverable amount of the above CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on the financial budgets approved by the management covering a 25-year period, and discount rate of 10% (31 March 2011: 20%). Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectation for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of this CGU to exceed its aggregate recoverable amount.

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20. INTANGIBLE ASSETS

	Software license HK$'000
Cost:	
At 1 April 2010 and 31 March 2011	–
Addition	37
At 31 December 2011	**37**
Accumulated amortisation and impairment:	
At 1 April 2010 and 31 March 2011	–
Charge for the period	–
At 31 December 2011	**–**
Net carrying amount	
At 31 December 2011	**37**
At 31 March 2011	–

21. INVESTMENTS IN SUBSIDIARIES

	31 December 2011 HK$'000	31 March 2011 HK$'000
Unlisted shares, at cost	**78**	78

The amounts due from and to subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

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21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			31 December 2011 %	31 March 2011 %	
Billion Station Limited#	British Virgin Islands ("BVI")	US$10,000	**100**	100	Investment holding
Grand Creation Investment Limited#	BVI	US$1	**100**	100	Investment holding
Glory Prospect Limited	HK	HK$1	**100**	100	Provision of administrative services
Billion Legend Trading Limited	HK	HK$1	**100**	100	Trading of automobile and accessories
Sage Death Care Services Holdings Limited	BVI	US$1	**100**	100	Investment holding
Cheung Shing Funeral Limited ("Cheung Shing")	HK	HK$17	**100**	–	Operation of funeral business
Luck Point Investments Limited	BVI	US$1	**100**	100	Investment holding
懷集萬福山殯儀館有限公司 (Huai Ji Luck Mountain Funeral Tarlor Limited*)	The PRC	Renminbi ("RMB") 10,500,000	**70**	70	Operation of cemetery and funeral business
畢節敬信陵園管理有限公司 (Bijie Reliance Cemetery Management Company Limited*)	The PRC	RMB33,333,330	**60**	–	Operation of cemetery and funeral business

Held by the Company directly

* English name is for identification purpose only

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the period/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.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

22. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

The following table illustrates the summarised financial information of the Group's jointly-controlled entities included in the consolidated statement of financial position and consolidated income statement:

	31 December 2011 HK$'000	31 March 2011 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**4,497**	3,677
Current assets	**6,368**	5,384
Current liabilities	**(12,845)**	(9,268)
Non-current liabilities	**(24,842)**	(24,936)
Net liabilities	**(26,822)**	(25,143)
Share of the jointly-controlled entities' income and expenses:		
Income	**3,210**	3,280
Expenses	**(4,414)**	(2,128)
Income tax expense	**–**	(2)
(Loss)/profit after tax	**(1,204)**	1,150

Particulars of the jointly-controlled entities are as follows:

Name of entity	Particulars of issued shares held	Place of incorporation/ registration	Percentage of Ownership interest		Percentage of Profit sharing		Principal activities
			31 December 2011	31 March 2011	**31 December 2011**	31 March 2011	
Era Investment (Holding) Inc. ("EIHI")	Ordinary shares of US$50,000	BVI	**50%**	50%	**50%**	50%	Investment holding
蘇州名流陵園實業有限公司 (Suzhou Celebrities Cemetery Industry Co., Limited*)	Registered capital of RMB20,000,000	The PRC	**90%**	90%	**75%**	75%	Provisions of cemetery operation and funeral services

* English name is for identification purpose only

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23. INVENTORIES

	31 December 2011 HK$'000	31 March 2011 HK$'000
Raw materials	**302**	289
Work in progress	**1,142**	1,478
Finished goods	**3,168**	667
	4,612	2,434

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2011 HK$'000	31 March 2011 HK$'000
Prepayments and other receivables	**29,066**	1,384
Amount due from a jointly-controlled entity	**7,266**	3,000
Rental and utility deposits	**191**	1,679
Trade deposits	**154**	1,248
	36,677	7,311

25. CASH AND CASH EQUIVALENTS

	31 December 2011 HK$'000	31 March 2011 HK$'000
Cash and bank balances	**33,949**	5,971

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted equivalent to HK$15,944,000 (31 March 2011: HK$1,637,000). The RMB is not freely convertible into other currencies. Cash at banks earns interest at floating rates based on daily bank deposit rates.

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26. TRADE PAYABLES

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

	31 December 2011 HK$'000	31 March 2011 HK$'000
Within 30 days	**37**	–
31 – 60 days	**–**	–
61 – 90 days	**–**	28
91 days – 1 year	**209**	351
Over 1 year	**256**	354
	502	733

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

27. OTHER PAYABLES AND ACCRUALS

	31 December 2011 HK$'000	31 March 2011 HK$'000
Other payables and accruals	**9,078**	11,453
Trade deposits received	**622**	1,018
	9,700	12,471

As at 31 March 2011, other than other payables to employees of a subsidiary amounted to HK$59,000 which are interest bearing at 10% per annum, unsecured and repayable on or before 19 July 2011, other payables and accruals are non-interest bearing.

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28. OTHER BORROWINGS

	The Group		**The Company**	
	31 December 2011 HK$'000	31 March 2011 HK$'000	**31 December 2011 HK$'000**	31 March 2011 HK$'000
Current				
Loan from a director *(Notes (i))*	**–**	25,000	**–**	25,000
Current portions of loan from an independent third party *(Notes (ii))*	**1,222**	593	**–**	–
	1,222	25,593	**–**	25,000
Non-current				
Loan from an independent third party *(Notes (ii))*	**14,715**	14,810	**–**	–
	15,937	40,403	**–**	25,000

Notes:

(i) The advancement from a director of the Company, Mr. Chui Bing Sun ("Mr. Chui") is interest bearing at 5% per annum, unsecured and has no fixed terms of repayment. Full amount has been repaid to Mr. Chui in May 2011.

(ii) The loan from an independent third party, 蘇州市吳中區金庭鎮集體資產經營公司 which is wholly-owned by the government of the PRC, to the jointly-controlled entity of the Group totalling of RMB39,656,000 (equivalent to HK$47,008,000) is non-interest bearing, secured by the shares of EIHI and the subsidiary of EIHI and fully repayable on December 2020 by instalment annually. The amount was initially recognised at fair value of approximately HK$30,763,000, determined using cash flows discounted at an effective interest rate of 5.94% for year 2009 and 2010 and 6.4% for year 2011. The difference of approximately HK$15,456,000 between the nominal value and the fair value of the amount on its inception date was recognised as gain on initial recognition of other borrowings at fair value. For the year ended 31 March 2011, HK$557,000 was recognised as other income in the consolidated income statement.

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29. CONVERTIBLE BONDS

The Group and the Company

(a) On 23 June 2010, the Company issued the convertible bonds with principal amount of HK$20,000,000 (the "CB1") to New Brilliant Investments Limited, which is wholly-owned by Mr. Chui. The CB1 bears interest at 1.5% per annum (calculated on a 360 days basis) on the principal amount of the convertible bonds outstanding from time to time, payable annually in arrear. The CB1 can be converted into conversion shares at initial conversion price of HK$0.04, which is subject to anti-dilution adjustments, from the day immediately following the date of the issue of the convertible bonds to the maturity date which is on 31 March 2015. As at 31 December 2011, the conversion price has been adjusted to HK$0.048 as a result of the anti-dilution adjustments. If the CB1 has not been converted, they will be redeemed at par on 31 March 2015. Interest will be paid annually until the maturity date.

(b) On 26 October 2010, the Company issued the convertible bonds with aggregate principal amount of HK$30,750,000 (the "CB2")) to Forrex (Holding) Inc, which is a Director of Era Investment (Holding) Inc., a jointly controlled entity of the Group. The CB2 bear interest at 3% per annum (calculated on a 360 days basis) on the principal amounts of the convertible bonds outstanding from time to time, payable in arrear on the maturity date. The CB2 can be converted into conversion shares at initial conversion price of HK$0.123, which is subject to anti-dilution adjustments, from the day immediately following the date of the issue of the convertible bonds to the maturity date which is on 30 September 2012. As at 31 December 2011, the conversion price has been adjusted to HK$0.236 as a result of the anti-dilution adjustments.

(c) On 23 May 2011, the Company issued the convertible bonds with principal amount of US$12,500,000 (equivalent to approximately HK$97,175,000) (the "CB3") to AXA Direct Asia II, L.P., which is an independent third party. The CB3 does not bear any interest. The CB3 can be converted into conversion shares at initial conversion price of HK$0.787, which is subject to anti-dilution adjustments, from the day immediately following the date of the issue of the convertible bonds to the maturity date which is on 22 May 2016. As at 31 December 2011, the conversion price has been adjusted to HK$0.197 as a result of the share subdivision.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

29. CONVERTIBLE BONDS *(Continued)*

The Group and the Company *(Continued)*

Each of convertible bonds is bifurcated into liability component and equity component. The equity component is presented in equity heading ("convertible bonds equity reserve"). The movement of the liability and equity components of the convertible bonds for the period/year is set out below:

	CB1	**CB2**	**CB3**
Date of issue	**23.06.2010**	**26.10.2010**	**23.05.2011**
Maturity date	**31.03.2015**	**30.09.2012**	**22.05.2016**
	HK$'000	HK$'000	HK$'000
Nominal value of convertible bonds issued during the year	20,000	30,750	–
Equity component	(3,031)	(4,415)	–
Liability component	16,969	26,335	–
Interest expense	653	1,270	–
Interest accrued	(231)	(399)	–
Liability component at 31 March 2011	17,391	27,206	–
Nominal value of convertible bonds issued during the period	–	–	97,175
Equity component	–	–	(45,177)
Liability component	17,391	27,206	51,998
Interest expense	651	2,396	4,107
Interest accrued	(225)	(692)	–
Liability component at 31 December 2011	**17,817**	**28,910**	**56,105**

Interest charged of CB1, CB2 and CB3 on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of 5%, 11.33% and 12.70% respectively to the liability component.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

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30. SHARE CAPITAL

		Number of shares		Amount	
	Notes	**31 December 2011 ’000**	31 March 2011 ’000	**31 December 2011 HK$’000**	31 March 2011 HK$’000
Authorised:					
Ordinary shares of HK$0.01 each at beginning of the reporting period		**8,000,000**	2,000,000	**80,000**	20,000
Increase in authorised capital	*(i)*	**–**	6,000,000	**–**	60,000
Subdivision of shares	*(ii)*	**24,000,000**	–	**–**	–
Ordinary shares of HK$0.0025 (31 March 2011: HK$0.01) each at end of the reporting period		**32,000,000**	8,000,000	**80,000**	80,000
Issued and fully paid:					
Ordinary shares of HK$0.01 each at beginning of the reporting period		**252,183**	220,731	**2,522**	2,207
Subdivision of shares	*(ii)*	**758,919**	–	**–**	–
Share options exercised	*(iii)*	**790**	1,452	**8**	15
Conversion of convertible bonds		**–**	30,000	**–**	300
Ordinary shares of HK$0.0025 (31 March 2011: HK$0.01) each at end of the reporting period		**1,011,892**	252,183	**2,530**	2,522

Notes:

(i) On 6 August 2010, pursuant to the passing of an ordinary resolution by the shareholders of the Company in the extraordinary general meeting, the authorised share capital of the Company has been increased from HK$20,000,000, being comprised of 2,000,000,000 ordinary shares of HK$0.01 each, to HK$80,000,000, being comprised of 8,000,000,000 ordinary shares of HK$0.01 each.

(ii) Pursuant to a special resolution passed in an extraordinary general meeting of the Company, the Company effected the share consolidation on 31 August 2011, the existing issued and unissued shares of HK$0.01 each in the share capital of the Company was subdivided into four shares of HK$0.0025 each with effect on 1 September 2011.

(iii) Details of the Company’s share options scheme and the share options issued under the scheme are included in note 31 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

31. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Options Scheme

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 (the "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, consultants and employees during the period ended 31 December 2011:

	Number of share options							
Name/category of participants	**At 1 April 2011**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**At 31 December 2011**	**Date of grant**	**Exercise period**	**Exercise price per share**
Category 1: Directors								
Mr. Chui	8,800,000	–	–	–	8,800,000	22 March 2011	22 March 2011 - 21 March 2021	HK$0.500
Mr. Kwok Kwan Hung	320,000	–	–	–	320,000	15 February 2008	15 February 2008 - 14 February 2018	HK$0.825
	3,400,000	–	(2,400,000)	–	1,000,000	7 July 2010	7 July 2010 - 6 July 2020	HK$0.213
	1,280,000	–	–	–	1,280,000	12 August 2010	12 August 2010 - 11 August 2020	HK$0.588
	3,800,000	–	–	–	3,800,000	3 December 2010	3 December 2010 - 2 December 2020	HK$0.533
	–	10,000,000	–	–	10,000,000	5 December 2011	5 December 2011 - 4 December 2021	HK$0.284
Mr. Chan Wai Man	200,000	–	–	–	200,000	15 February 2008	15 February 2008 - 14 February 2018	HK$0.825
	180,000	–	(180,000)	–	–	7 July 2010	7 July 2010 - 6 July 2020	HK$0.213
	–	1,000,000	–	–	1,000,000	5 December 2011	5 December 2011 - 4 December 2021	HK$0.284
Mr. Law Yee Man, Thomas (appointed on 12 July 2011)	–	400,000	–	–	400,000	12 August 2011	12 August 2011 - 11 August 2021	HK$0.438
	–	600,000	–	–	600,000	5 December 2011	5 December 2011 - 4 December 2021	HK$0.284
Mr. Siu Hi Lam, Alick	–	1,000,000	–	–	1,000,000	5 December 2011	5 December 2011 - 4 December 2021	HK$0.284
Mr. Leung Chi Kong (retired on 31 August 2011)	200,000	–	–	(200,000) *(note i)*	–	15 February 2008	15 February 2008 - 14 February 2018	HK$0.825
	180,000	–	(180,000)	–	–	7 July 2010	7 July 2010 - 6 July 2020	HK$0.213
	18,360,000	13,000,000	(2,760,000)	(200,000)	28,400,000			

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For the period from 1 April 2011 to 31 December 2011

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Share Options Scheme *(Continued)*

	Number of share options							
Name/category of participants	**At 1 April 2011**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**At 31 December 2011**	**Date of grant**	**Exercise period**	**Exercise price per share**
Category 2: Employees/consultants								
Employee	3,200,000	–	–	–	3,200,000	14 December 2007	14 December 2007 - 13 December 2017	HK$0.700
Employees	11,800,000	–	(400,000)	–	11,400,000	7 July 2010	7 July 2010 - 6 July 2020	HK$0.213
Employees	8,600,000	–	–	–	8,600,000	9 September 2010	9 September 2010 - 8 September 2020	HK$0.573
Employees	6,400,000	–	–	–	6,400,000	13 September 2010	13 September 2010 - 12 September 2020	HK$0.535
Employees	10,000,000	–	–	(4,800,000) *(note i)*	5,200,000	3 December 2010	3 December 2010 - 2 December 2020	HK$0.533
Consultant	4,640,000	–	–	–	4,640,000	12 August 2010	12 August 2010 - 11 August 2020	HK$0.588
Consultant	1,132,000	–	–	–	1,132,000	6 September 2010	6 September 2010 - 5 September 2020	HK$0.495
Consultant	8,800,000	–	–	–	8,800,000	22 March 2011	22 March 2011 - 21 March 2021	HK$0.500
Consultant	–	10,000,000	–	(10,000,000) *(note i)*	–	12 August 2011	12 August 2011 - 11 August 2021	HK$0.438
	54,572,000	10,000,000	(400,000)	(14,800,000)	49,372,000			
Total of all categories	**72,932,000**	**23,000,000**	**(3,160,000)**	**(15,000,000)**	**77,772,000**			
Weighted average exercise price	HK$0.476	HK$0.354	HK$0.213	HK$0.474	HK$0.451			

Note:

(i) The share options were lapsed during the period ended 31 December 2011.

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31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Share Options Scheme *(Continued)*

The following table discloses movements of the Company's share options held by directors, consultants and employees during the year ended 31 March 2011:

Name/category of participants	Number of share options: At 1 April 2010	Granted during the year	Exercised during the year	At 31 March 2011	Date of grant	Exercise period	Exercise price per share
Category 1: Directors							
Mr. Lee Chi Shing, Caesar (resigned on 1 September 2010)	3,200,000	–	–	3,200,000	14 December 2007	14 December 2007 - 13 December 2017	HK$0.700
	700,000	–	(700,000)	–	14 August 2008	14 August 2008 - 13 August 2018	HK$0.468
Mr. Kwok Kwan Hung	320,000	–	–	320,000	15 February 2008	15 February 2008 - 14 February 2018	HK$0.825
	–	3,400,000	–	3,400,000	7 July 2010	7 July 2010 - 6 July 2020	HK$0.213
	–	1,280,000	–	1,280,000	12 August 2010	12 August 2010 - 11 August 2020	HK$0.588
	–	3,800,000	–	3,800,000	3 December 2010	3 December 2010 - 2 December 2020	HK$0.533
Mr. Leung Chi Kong	200,000	–	–	200,000	15 February 2008	15 February 2008 - 14 February 2018	HK$0.825
	–	180,000	–	180,000	7 July 2010	7 July 2010 - 6 July 2020	HK$0.213
Mr. Chan Wai Man	200,000	–	–	200,000	15 February 2008	15 February 2008 - 14 February 2018	HK$0.825
	–	180,000	–	180,000	7 July 2010	7 July 2010 - 6 July 2020	HK$0.213
Mr. Siu Hi Lam, Alick	–	380,000	(380,000)	–	7 July 2010	7 July 2010 - 6 July 2020	HK$0.213
Mr. Chui Bing Sun	–	8,800,000	–	8,800,000	22 March 2011	22 March 2011 - 21 March 2021	HK$0.500
	4,620,000	18,020,000	(1,080,000)	21,560,000			

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31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Share Options Scheme *(Continued)*

	Number of share options						
Name/category of participants	**At 1 April 2010**	**Granted during the year**	**Exercised during the year**	**At 31 March 2011**	**Date of grant**	**Exercise period**	**Exercise price per share**
Category 2: Employees/consultants							
Employee	200,000	–	(200,000)	–	25 March 2008	25 March 2008 - 24 March 2018	HK$0.625
Employees	120,000	–	(120,000)	–	14 August 2008	14 August 2008 - 13 August 2018	HK$0.468
Employees	–	14,200,000	(2,400,000)	11,800,000	7 July 2010	7 July 2010 - 6 July 2020	HK$0.213
Employees	–	8,600,000	–	8,600,000	9 September 2010	9 September 2010 - 8 September 2020	HK$0.573
Employees	–	6,400,000	–	6,400,000	13 September 2010	13 September 2010 - 12 September 2020	HK$0.535
Employees	–	10,000,000	–	10,000,000	3 December 2010	3 December 2010 - 2 December 2020	HK$0.533
Consultant	–	4,640,000	–	4,640,000	12 August 2010	12 August 2010 - 11 August 2020	HK$0.588
Consultant	–	4,160,000	(3,028,000)	1,132,000	6 September 2010	6 September 2010 - 5 September 2020	HK$0.495
Consultant	–	2,000,000	(2,000,000)	–	7 September 2010	7 September 2010 - 6 September 2020	HK$0.520
Consultant	–	8,800,000	–	8,800,000	22 March 2011	22 March 2011 - 21 March 2021	HK$0.500
	320,000	58,800,000	(7,748,000)	51,372,000			
Total of all categories	4,940,000	76,820,000	(8,828,000)	72,932,000			
Weighted average exercise price	HK$0.678	HK$0.455	HK$0.413	HK$0.475			

Notes:

(i) There were no share options cancelled, lapsed or forfeited during the year ended 31 March 2011.

(ii) The number of share options and its exercise price per share are adjusted as a result of the share subdivision.

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31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Share Options Scheme *(Continued)*

The fair value of the options granted during the period ended 31 December 2011 was estimated as at the date of grant using the black-scholes option pricing model with the following assumptions:

(a) Risk-free interest rate – the yields of 10-year Hong Kong Exchange Fund Note;

(b) Expected volatility of share price – the 52 weeks historical volatility of closing prices of the shares of the Company from Bloomberg;

(c) Expected life of share options – 1 to 2 years;

(d) Dividend yield – Nil; and

(e) No other feature of the options granted was 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 estimate. The value of an option varies with different variables of certain subjective assumptions.

The 3,160,000 share options exercised during the period ended 31 December 2011 resulted in the issue of 3,160,000 ordinary shares of the Company and new share capital of HK$7,900 and share premium of HK$665,180 (before share issue expenses), as further detailed in note 30 to the consolidated financial statements.

At the end of the reporting period, the Company had 77,772,000 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 77,772,000 additional ordinary shares of the Company and additional share capital of HK$194,430 and share premium of HK$34,880,742 (before share issue expenses).

At the date of approval of these consolidated financial statements, the Company had 77,772,000 share options outstanding under the Share Options Scheme, which represented approximately 7.69% of the Company's shares in issue as at that date.

(b) Warrants

On 4 July 2011, the Company entered into service agreement (the "Service Agreement") with Mr. Richard Andrew Connell (the "Agent"), to engage him for provision of business development advisory services and other related services in relations to the death care business.

Under the Service Agreement, the Company agreed to issue 10,800,000 shares at the exercise price of HK$2.0 per share. As at 31 December 2011, as a result of the share subdivision, the number the warrants has been adjusted to 43,200,000 shares (the "Warrants") and the exercise price has been adjusted to HK$0.5 per share accordingly. The Warrant period shall come into force from the date of the issue of the Warrants on 14 July 2011 and shall continue for a period of 5 years therefrom.

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31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Warrants *(Continued)*

The following table discloses movements of the Company's Warrants held by the Agent during the period ended 31 December 2011:

	Number of Warrants						
Name of Agent	At 1 April 2011	Issued during the period	Exercised during the period	At 31 December 2011	Date of issue	Warrant period	Exercise price per share
Mr. Richard Andrew Connell	–	43,200,000	–	43,200,000	14 July 2011	14 July 2011 – 13 July 2016	HK$0.50

In consideration of the performance of the services to be rendered by the Agent, under the Service Agreement, the Company shall: (i) pay to the Agent a fixed remuneration each month during the service periods; and (ii) issue the Warrants to the Agent.

The Warrants are vested and exercisable in stages during the Warrant period in the following manner:

(a) the Warrants shall not be exercised more than 25% of the total number of Warrants issued before the date falling on six months after the effective date;

(b) the Warrants shall not be exercised more than 50% of the total number of Warrants issued before the date falling on twelve months after the effective date; and

(c) the Warrants shall not be exercised more than 75% of the total Warrants issued before the date falling on twenty-four months after the effective date;

The fair value of the Warrants issued during the period ended 31 December 2011 was estimated at the date of issue using the black-scholes 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 expected life of the Warrants;

(b) Expected volatility of share price – the 52 weeks historical volatility of closing prices of the shares of the Company with the expected life of the Warrants from Bloomberg;

(c) Expected life of Warrants – 2 to 3.5 years;

(d) Dividend yield – Nil; and

(e) No other feature of the Warrants issued was incorporated into the measurement of fair values.

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

At the end of the reporting period, the Company had 43,200,000 Warrants outstanding. The exercise in full of the outstanding Warrants would, under the present capital structure of the Company, result in the issue of 43,200,000 additional ordinary shares of the Company and additional share capital of HK$108,000 and share premium of HK$21,492,000 (before share issue expenses).

At the date of approval of these consolidated financial statements, the Company had 43,200,000 Warrants outstanding, which represented approximately 4.27% of the Company's shares in issue as at that date.

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32. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current period and prior years are presented in the consolidated statement of changes in equity on page 36 of the consolidated financial statements.

Contributed surplus

Pursuant to a special resolution passed in 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) transfer 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.

Capital reserve

The capital reserve of the Company arose as a result of the reorganisation and represents the excess of the combined net assets of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof.

For the year ended 31 March 2011, the capital reserve of the Group comprises (i) an amount of HK$600,000 representing the difference between the nominal value of the capital of the subsidiaries/businesses acquired pursuant to the Group reorganisation, and the nominal value of the shares in the Company issued in exchange therefor; and (ii) an amount of HK$300,000 representing the cost of investment in Inforchain Digital Technology Co., Limited acquired by the Group pursuant to the Group reorganisation in October 2001. Full amount was transferred out when the subsidiary disposed in March 2011. Details of the disposal of subsidiary set out in note 34 in the consolidated financial statements.

PRC statutory reserve

In accordance with the PRC laws and regulations, PRC companies require to provide statutory reserve. Statutory reserve is appropriated of 10% from net profits after tax as reported in the financial statements of the PRC subsidiaries. Provision for the statutory reserve ceases when the aggregate amount exceeded 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.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

32. RESERVES *(Continued)*

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Warrants reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2010	28,857	–	811	–	–	(42,284)	(12,616)
Loss for the year	–	–	–	–	–	(23,236)	(23,236)
Issue of shares for top-up placing	10,146	–	–	–	–	–	10,146
Share issue expenses	(406)	–	–	–	–	–	(406)
Share consolidation and capital reduction *(Note i)*	(59,872)	31,713	–	–	–	48,025	19,866
Issue of convertible bonds	–	–	–	–	22,693	–	22,693
Issue of shares for conversion of convertible bonds	58,667	–	–	–	(15,247)	–	43,420
Equity-settled share options arrangements	–	–	9,313	–	–	–	9,313
Issue of shares for exercise of share options	4,856	–	(1,310)	–	–	–	3,546
At 31 March 2011 and 1 April 2011	42,248	31,713	8,814	–	7,446	(17,495)	72,726
Loss for the period	–	–	–	–	–	(20,507)	(20,507)
Issue of convertible bonds	–	–	–	–	45,177	–	45,177
Lapsed of share options	–	–	(272)	–	–	272	–
Equity-settled warrants arrangement	–	–	–	2,041	–	–	2,041
Equity-settled share options arrangements	–	–	1,728	–	–	–	1,728
Issue of shares for exercise of share options	973	–	(309)	–	–	–	664
At 31 December 2011	**43,221**	**31,713**	**9,961**	**2,041**	**52,623**	**(37,730)**	**101,829**

Note:

(i) On 28 October 2010, every ten issued shares of HK$0.01 each in the share capital of the Company was consolidated into one issued consolidated share of HK$0.10 each. The par value of each of the issued consolidated shares of HK$0.10 each is reduced to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.09 on each issued consolidated share and the entire amount standing to the credit of the share premium account of the Company was reduced and cancelled.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

33. BUSINESS COMBINATION

(a) Acquisition of 100% equity interests in a subsidiary

(i) On 30 September 2011, the Group acquired 100% equity interests in Cheung Shing Funeral Limited ("Cheung Shing"). The total consideration for the acquisition was HK$980,000 in cash.

The fair values of the identifiable assets and liabilities of Cheung Shing as at the date of acquisition are as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	612
Trade and other receivables	25
Cash and cash equivalents	52
Trade and other payables	(105)
Total identifiable net assets at fair value	584
Non-controlling interests	–
	584
Goodwill on acquisition *(note 19)*	396
Consideration	980
Satisfied by cash	980

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition is as follows:

	HK$'000
Cash consideration	(980)
Cash and bank balances acquired	52
Net outflow of cash and cash equivalents included in cash flows from investing activities	(928)

Cheung Shing incurred approximately HK$106,000 loss to the Group's profit and loss for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2011, total group revenue for the period would have been approximately HK$10,449,000 and the loss for the period would have been approximately HK$35,441,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor is it intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

33. BUSINESS COMBINATION *(Continued)*

(a) Acquisition of 100% equity interests in a subsidiary *(Continued)*

(ii) On 27 January 2011, the Group acquired 100% equity interests in Luck Point Investments Limited ("LPIL"). LPIL is holding the investment in 70% of the registered capital of Huai Ji Luck Mountain Funeral Tarlor Limited ("Huai Ji Luck Mountain") (懷集萬福山殯儀館有限公司). The total consideration for the acquisition was HK$17,800,000 in cash.

The fair values of the identifiable assets and liabilities of LPIL and its subsidiary as at the date of acquisition are as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	8,157
Inventories	439
Trade and other receivables	118
Cash and cash equivalents	28
Trade and other payables	(1,266)
Total identifiable net assets at fair value	7,476
Non-controlling interests	1,199
	8,675
Goodwill on acquisition *(note 19)*	9,125
Consideration	17,800
Satisfied by cash	17,800

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition is as follows:

	HK$'000
Cash consideration	(17,800)
Cash and bank balances acquired	28
Net outflow of cash and cash equivalents included in cash flows from investing activities	(17,772)

LPIL contributed approximately HK$3,600 to the Group's profit and loss for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2010, total group revenue for the year would have been approximately HK$23,713,000 and the loss for the year from continuing operations would have been approximately HK$35,023,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2010, nor is it intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

33. BUSINESS COMBINATION *(Continued)*

(b) Purchase of 50% shareholding in a jointly-controlled entity

On 26 October 2010, the Group acquired 50% equity interests in EIHI which is holding the investment in 90% registered capital of Suzhou Celebrities Cemetery Industry Co., Limited (蘇州名流陵園實業有限公司) with profit sharing ratio of 75%. The purchase consideration for the acquisition totaling HK$107,650,000 was in the form of cash of HK$40,000,000 and convertible bonds of aggregate principal amounts of HK$67,650,000.

The fair values of the identifiable assets and liabilities of EIHI and its subsidiary as at the date of acquisition are as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	3,240
Prepaid land lease payments	4,161
Inventories	3,811
Trade and other receivables	2,940
Cash and cash equivalents	32
Trade and other payables	(16,774)
Other borrowings	(29,203)
Total identifiable net liabilities at fair value	(31,793)
Non-controlling interests	11,729
	(20,064)
Share of 50% of equity interests	(10,032)
Goodwill on acquisition *(note 19)*	117,682
Consideration	107,650
Satisfied by:	
Cash	40,000
Convertible bonds	67,650
	107,650

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

33. BUSINESS COMBINATION *(Continued)*

(b) Purchase of 50% shareholding in a jointly-controlled entity *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition is as follows:

	HK$'000
Cash consideration	(40,000)
Cash and bank balances acquired	16
Net outflow of cash and cash equivalents included in cash flows from investing activities	(39,984)

34. DISPOSAL OF A SUBSIDIARY

On 4 March 2011, the Group disposed its entire equity interests in Infosky Group Limited. The disposal was made to a director of Infosky Group Limited, Mr. Leung Tin Fu ("Mr. Leung"). The consideration for the disposal was HK$3,000,000 in cash.

The fair values of the identifiable assets and liabilities of Infosky Group as at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	**1,401**
Trade and other receivables	**5,117**
Cash and cash equivalents	**17,459**
Trade and other payables	**(15,556)**
Tax payable	**(1,640)**
Total identifiable net assets at fair value	**6,781**
Non-controlling interests	**(29)**
	6,752
Loss on disposal of a subsidiary	**(2,162)**
Exchange adjustment	**(1,590)**
Consideration	**3,000**
Satisfied by cash	**3,000**

An analysis of the net outflow of cash and cash equivalents in respect of the disposal is as follows:

	HK$'000
Cash consideration	**3,000**
Cash and bank balances disposed of	**(17,459)**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(14,459)**

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

35. 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 three years (31 March 2011: 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:

	31 December 2011 HK$'000	31 March 2011 HK$'000
Within one year	**2,233**	2,340
In the second to fifth years inclusive	**214**	1,542
	2,447	3,882

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had entered into the following significant related party transactions during the period/year:

	1 April 2011 to 31 December 2011 HK$'000	1 April 2010 to 31 March 2011 HK$'000
Rent paid to director of the Company's subsidiary	**–**	330
Rent paid to director of the Company	**460**	817
Acquisition of a subsidiary from a director of the Company *(note 33ai)*	**980**	–
Interest expenses paid to director of the Company	**832**	979
Disposal of a subsidiary to Mr. Leung *(note 34)*	**–**	3,000

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

36. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

Compensation to key management personnel

The remuneration of directors of the Group during the period/year is as follow:

	1 April 2011 to 31 December 2011 HK$'000	1 April 2010 to 31 March 2011 HK$'000
Short-term benefits	**4,352**	4,046
Share-based payments	**489**	2,361
	4,841	6,407

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

Other related parties balances and transactions

As at 31 December 2011, amount due from a jointly-controlled entity of approximately HK$7,266,000 (31 March 2011: HK$3,000,000) was interest free, unsecured and repayable on demand.

Save as disclosed, details of balances and transactions with other related parties at the end of the reporting period/year are set out in note 28 to the consolidated financial statements.

37. CAPITAL COMMITMENT

	31 December 2011 HK$'000	31 March 2011 HK$'000
Capital expenditure in relation to infrastructure of the cemetery but not provided in the consolidated financial statements	**3,316**	–

38. FINANCIAL INSTRUMENTS BY CATEGORIES

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

Financial assets

Loans and receivables

	31 December 2011 HK$'000	31 March 2011 HK$'000
Prepayment, deposits and other receivables	**36,677**	7,311
Cash and cash equivalents	**33,949**	5,971
	70,626	13,282

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

38. FINANCIAL INSTRUMENTS BY CATEGORIES *(Continued)*

Financial liabilities

	31 December 2011 HK$'000	31 March 2011 HK$'000
Financial liabilities at amortised costs		
Trade payables	**502**	733
Other payables and accruals	**9,700**	12,471
Other borrowings	**15,937**	40,403
Convertible bonds	**102,832**	44,597
	128,971	98,204

39. FAIR VALUE AND FAIR VALUE HIERARCHY

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

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at the end of the reporting periods, the financial instruments of convertible bonds are measured at fair value based on Level 3 to determine their fair values.

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.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include prepayments, deposits and other receivables, cash and cash equivalents, trade payables, other payables and accruals, other borrowings and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Market risk comprises foreign currency exchange rates, and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Based on the evaluation of the Group's operations, the directors of the Company consider that the Group does not expose to significant market risk.

Credit risk

The Group's principal financial assets included prepayments, deposits 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 2011 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 trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, 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 counterparties are banks with high credit ratings.

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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.

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 3 months or payable on demand HK$'000	**3 months to 1 year HK$'000**	**1-5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
31 December 2011					
Trade payables	**502**	**–**	**–**	**–**	**502**
Other payables and accruals	**9,700**	**–**	**–**	**–**	**9,700**
Other borrowings	**–**	**1,222**	**7,332**	**7,383**	**15,937**
Convertible bonds	**–**	**28,910**	**73,922**	**–**	**102,832**
	10,202	**30,132**	**81,254**	**7,383**	**128,971**

	Less than 3 months or Payable on demand HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 March 2011					
Trade payables	733	–	–	–	733
Other payables and accruals	12,471	–	–	–	12,471
Other borrowings	25,000	593	5,926	8,884	40,403
Convertible bonds	–	–	44,597	–	44,597
	38,204	593	50,523	8,884	98,204

Notes to the Consolidated Financial Statements

For the period from 1 April 2011 to 31 December 2011

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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 its 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.

The Group monitors capital using a gearing ratio, which is the total liabilities divided by the equity attributable to owners of the Company. The gearing ratio as at 31 December 2011 and 31 March 2011 were as follows:

	31 December 2011 HK$'000	31 March 2011 HK$'000
Current liabilities	**40,339**	38,802
Non-current liabilities	**88,637**	59,407
Total liabilities	**128,976**	98,209
Equity attributable to owners of the Company	**81,233**	67,254
Gearing ratio	**1.59**	1.46

41. EVENTS AFTER THE REPORTING PERIOD

The Group has entered into an employment agreement with an employee pursuant to which the employee is appointed as the director of sales and marketing of the Group. The Group would issue 30,000,000 warrants shares to the employee with a subscription price of HK$0.275 per warrant share for a subscription periods of 5 years after the date of the warrants issued on 12 January 2012, subject to the fulfillment of conditions. Details of the issue of warrants is set out in the Company's announcement dated 21 December 2011.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2012.

Five Years Financial Highlights

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

	31 December 2011 HK$'000	31 March 2011 HK$'000	31 March 2010 HK$'000 (Restated)	31 March 2009 HK$'000	31 March 2008 HK$'000
Revenue	**10,101**	66,099	49,108	68,869	88,545
(Loss)/Profit attributable to owners of the Company	**(35,163)**	(41,617)	(9,840)	(36,136)	7,432
Total assets	**219,482**	158,697	27,268	193,815	41,065
Total liabilities	**(128,976)**	(98,209)	(18,049)	(174,775)	(13,318)
Net assets	**90,506**	60,488	9,219	19,040	27,747

Notes:

(i) The results and assets and liabilities of the Group for the period ended 31 December 2011 have been extracted from the consolidated income statement and consolidated statement of financial position as set out on pages 32 and 34 respectively of the accompanying consolidated financial statements.

(ii) The financial summary of the Group has been included is for information only and does not form part of the audited consolidated financial statements.