

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

Interim Report **2012**



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.

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
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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

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Mr. Kwok Kwan Hung

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PRINCIPAL BANKERS

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DBS Bank (Hong Kong) Limited

STOCK CODE

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FINANCIAL RESULTS

The Board of Directors (the "Directors") of Sage International Group Limited (the "Company") announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 June 2012 together with the comparative unaudited figures for the corresponding periods in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2012

	Notes	Three months ended		Six months ended	
		30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)
CONTINUING OPERATIONS					
Revenue	2	3,373	1,803	6,950	4,484
Cost of sales		(1,440)	(721)	(2,593)	(1,665)
Gross profit		1,933	1,082	4,357	2,819
Other income	2	453	194	502	395
Share-based payment		(2,029)	(1,223)	(4,010)	(1,820)
Sales and marketing expenses		(887)	(75)	(1,237)	(505)
Administrative expenses		(9,485)	(7,484)	(17,534)	(15,388)
Finance costs	3	(3,167)	(2,925)	(6,557)	(5,004)
LOSS BEFORE TAX		(13,182)	(10,431)	(24,479)	(19,503)
Income tax expense	4	-	12	-	-
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(13,182)	(10,419)	(24,479)	(19,503)
DISCONTINUED OPERATION					
Loss for the period from a discontinued operation	5	-	-	-	(7)
LOSS FOR THE PERIOD		(13,182)	(10,419)	(24,479)	(19,510)
Attributable to:					
Owners of the Company		(13,193)	(10,280)	(24,459)	(19,468)
Non-controlling interests		11	(139)	(20)	(42)
		(13,182)	(10,419)	(24,479)	(19,510)
Dividend	6	-	-	-	-
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Basic (HK cents per share)	7				
- For loss for the period		(1.14)	(1.02)	(2.26)	(1.92)
- For loss from continuing operations		(1.14)	(1.02)	(2.26)	(1.92)
Diluted (HK cents per share)					
- For loss for the period		N/A	N/A	N/A	N/A
- For loss from continuing operations		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2012

	Three months ended		Six months ended	
	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)
Loss for the period	(13,182)	(10,419)	(24,479)	(19,510)
Other comprehensive loss:				
Exchange differences on translating foreign operations	(559)	(53)	238	(121)
Total comprehensive loss for the period	(13,741)	(10,472)	(24,241)	(19,631)
Attributable to:				
Owners of the Company	(13,752)	(10,333)	(24,221)	(19,589)
Non-controlling interests	11	(139)	(20)	(42)
	(13,741)	(10,472)	(24,241)	(19,631)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	20,180	16,557
Prepaid land lease payments		446	447
Goodwill		127,203	127,203
Intangible assets		35	37
TOTAL NON-CURRENT ASSETS		147,864	144,244
CURRENT ASSETS			
Inventories		4,727	4,612
Prepayments, deposits and other receivables		49,209	36,677
Cash and cash equivalents		55,783	33,949
TOTAL CURRENT ASSETS		109,719	75,238
CURRENT LIABILITIES			
Trade payables	10	567	502
Other payables and accruals		11,681	9,700
Income tax payable		–	5
Other borrowings		1,222	1,222
Convertible bonds	11	30,153	28,910
TOTAL CURRENT LIABILITIES		43,623	40,339
NET CURRENT ASSETS		66,096	34,899
TOTAL ASSETS LESS CURRENT LIABILITIES		213,960	179,143
NON-CURRENT LIABILITIES			
Other borrowings		15,272	14,715
Convertible bonds	11	77,818	73,922
TOTAL NON-CURRENT LIABILITIES		93,090	88,637
NET ASSETS		120,870	90,506
CAPITAL AND RESERVES			
Share capital	12	3,795	2,530
Reserves		107,822	78,703
Equity attributable to owners of the Company		111,617	81,233
Non-controlling interests		9,253	9,273
TOTAL EQUITY		120,870	90,506

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company										
	Share capital	Share premium	Contributed surplus	Translation reserve	Share options reserve	Warrants reserve	Convertible bonds equity reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011 (Audited)	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	-	-	-	(121)	-	-	-	(19,468)	(19,589)	(42)	(19,631)
Issue of convertible bonds	-	-	-	-	-	-	45,177	-	45,177	-	45,177
Equity-settled share option arrangements	-	-	-	-	1,820	-	-	-	1,820	-	1,820
Lapse of share options	-	-	-	-	(28)	-	-	28	-	-	-
Issue of shares for exercise of share options	8	973	-	-	(309)	-	-	-	672	-	672
At 30 September 2011 (Unaudited)	2,530	43,221	31,713	(364)	10,297	-	52,623	(44,686)	95,334	(6,808)	88,526
At 1 January 2012 (Audited)	2,530	43,221	31,713	(719)	9,961	2,041	52,623	(60,137)	81,233	9,273	90,506
Total comprehensive loss for the period	-	-	-	238	-	-	-	(24,459)	(24,221)	(20)	(24,241)
Issue of new shares under the Rights Issue	1,265	49,330	-	-	-	-	-	-	50,595	-	50,595
Equity-settled share options arrangement	-	-	-	-	820	-	-	-	820	-	820
Equity-settled warrants arrangement	-	-	-	-	-	3,190	-	-	3,190	-	3,190
At 30 June 2012 (Unaudited)	3,795	92,551	31,713	(481)	10,781	5,231	52,623	(84,596)	111,617	9,253	120,870

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended	
	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)
Net cash used in operating activities	(24,065)	(13,788)
Net cash used in investing activities	(4,551)	(1,569)
Net cash generated from financing activities	50,216	72,656
Net increase in cash and cash equivalents	21,600	57,299
Cash and cash equivalents at the beginning of the reporting period	33,949	5,971
Effects of foreign exchange rate change	234	(384)
Cash and cash equivalents at the end of the reporting period	55,783	62,886
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	55,783	62,886

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The condensed consolidated financial statements should be read in conjunction with the Company's annual financial statements for the nine months ended 31 December 2011 ("2011 Annual Report"). The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the Company's 2011 Annual Report.

Impact of new and revised HKFRSs which are issued but not effective

The Group had not early adopted the new and revised HKFRSs that have been issued but are not yet effective during the period.

The Group is in the process of assessing the impact of the new and revised HKFRSs upon initial application but has not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2. REVENUE AND OTHER INCOME

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

	Three months ended		Six months ended	
	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)
Revenue				
Cemetery operation and funeral services income	3,373	1,803	6,950	4,484

No revenue generated from the trading of automobile and accessories during the period ended 30 June 2012 and 30 September 2011, respectively.

Details of the segment result for the trading of automobile and accessories in prior period refers to note 5 to the unaudited consolidated financial statements. No segment information is presented.

Other income

Interest income on bank deposits	5	155	20	215
Sundry income	448	39	482	180
	453	194	502	395

3. FINANCE COSTS

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

	Three months ended		Six months ended	
	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)
Interests on:				
– Other borrowings wholly repayable within five years	79	2	79	187
– Other borrowings wholly repayable after five years	162	241	728	458
– Convertible bonds	2,926	2,682	5,750	4,359
	3,167	2,925	6,557	5,004

4. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The Group did not have any significant deferred taxation which was not provided for in respect of each of the reporting periods.

5. DISCONTINUED OPERATION

After the Japan earthquake in March 2011, the economic environment of the world was becoming more unfavourable. It affected the profitability of the Group's automobile trading business and, for this reason, the board of Directors decided to discontinue the business in June 2012.

The results of the discontinued operation for the period ended 30 June 2012 and 30 September 2011 are presented below:

	Three months ended		Six months ended	
	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)
Revenue	-	1,403	-	1,403
Expenses	-	(1,403)	-	(1,410)
Loss before tax	-	-	-	(7)
Income tax expense	-	-	-	-
Loss for the period from the discontinued operation	-	-	-	(7)

	Three months ended		Six months ended	
	30 June 2012 (Unaudited)	30 September 2011 (Unaudited)	30 June 2012 (Unaudited)	30 September 2011 (Unaudited)
Loss per share: (HK cents per share)				
From the discontinued operation				
- Basic	-	-	-	-
- Diluted	N/A	N/A	N/A	N/A

6. DIVIDEND

The Directors do not recommend the payment of an interim dividend nor transfer of any amount to reserves for the six months period ended 30 June 2012 (30 September 2011: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the three months and six months periods ended 30 June 2012 attributable to owners of the Company, and the weighted average number of ordinary shares of 1,156,447,995 and 1,084,169,996 respectively (2011: 1,011,684,604 and 1,011,501,613 respectively) in issue during the period.

No diluted loss per share has been calculated for both periods ended 30 June 2012 and 30 September 2011 as the Company's outstanding share options, warrants and convertible bonds had an anti-dilutive impact.

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

	Three months ended		Six months ended	
	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)
Loss				
Loss attributable to owners of the Company used in the basic loss per share calculation:				
– From continuing operations	(13,193)	(10,280)	(24,459)	(19,461)
– From a discontinued operation	-	-	-	(7)
	(13,193)	(10,280)	(24,459)	(19,468)
Interest on convertible bonds	2,926	2,682	5,750	4,359
Loss attributable to owners of the Company before interest on convertible bonds	(10,267)	(7,598)	(18,709)	(15,109)
Attributable to:				
Continuing operations	(10,267)	(7,598)	(18,709)	(15,102)
Discontinued operation	-	-	-	(7)
	(10,267)	(7,598)	(18,709)	(15,109)
	Three months ended		Six months ended	
	30 June 2012 (Unaudited)	30 September 2011 (Unaudited)	30 June 2012 (Unaudited)	30 September 2011 (Unaudited)
Number of shares				
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	1,156,447,995	1,011,684,604	1,084,169,996	1,011,501,613
Weighted average number of ordinary shares used in the diluted loss per share calculation	N/A	N/A	N/A	N/A

8. INVESTMENTS IN JOINTLY-CONTROLLED ENTITY

The following table illustrates the summarized financial information of the Group's jointly-controlled entity included in the unaudited condensed consolidated income statement:

	Three months ended		Six months ended	
	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)
Share of the jointly controlled entity's income and expenses:				
Revenue	1,845	485	3,402	1,782
Administrative expenses	(1,505)	(906)	(3,397)	(2,083)
Income tax expense	-	12	-	-
Profit/(loss) after tax	340	(409)	5	(301)

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group has additions of approximately HK\$3,623,000 (30 September 2011: HK\$471,000) for construction in progress and do not have any disposal during the current period.

10. TRADE PAYABLES

The following is an analysis of trade payable by age, presented based on the invoice date:

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
0 – 30 days	151	37
31 – 60 days	15	-
Over 60 days	401	465
	567	502

11. CONVERTIBLE BONDS

- (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 Bing Sun ("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 30 June 2012, the conversion price has been adjusted to HK\$0.039 as a result of the completion of rights issue on 4 June 2012. 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 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 bears 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 30 June 2012, the conversion price has been adjusted to HK\$0.193 as a result of the completion of rights issue on 4 June 2012.
- (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 30 June 2012, the conversion price has been adjusted to HK\$0.161 as a result of the completion of rights issue on 4 June 2012.

Each of convertible bonds is bifurcated into liability component and equity component. The equity component is presented in the condensed consolidated statement of changes in equity headed "convertible bonds equity reserve". The movement of the liability and equity components of the convertible bonds for the periods are set out below:

Date of issue	CB1	CB2	CB3	Total
	23.06.2010	26.10.2010	23.05.2011	
Maturity date	31.03.2015	30.09.2012	22.05.2016	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Nominal value of convertible bonds issued	20,000	30,750	97,175	147,925
Equity component	(3,031)	(4,415)	(45,177)	(52,623)
Liability component at the issuance date	16,969	26,335	51,998	95,302
<i>Liability components</i>				
Liability component at 1 April 2011 (Audited)	17,391	27,206	–	44,597
Nominal value of convertible bonds issued during the period	–	–	97,175	97,175
Equity component	–	–	(45,177)	(45,177)
Liability component	17,391	27,206	51,998	96,595
Interest expense	651	2,396	4,107	7,154
Interest accrued	(225)	(692)	–	(917)
Liability component at 31 December 2011 (Audited)	17,817	28,910	56,105	102,832
Interest expense	438	1,704	3,608	5,750
Interest accrued	(150)	(461)	–	(611)
Liability component at 30 June 2012 (Unaudited)	18,105	30,153	59,713	107,971

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.

12. SHARE CAPITAL

	Number of shares '000	Shares capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.0025 each at 1 January 2012 and 30 June 2012	32,000,000	80,000
Issued and fully paid:		
Ordinary shares of HK\$0.0025 each at 1 January 2012	1,011,892	2,530
Issue of shares under the rights issue (<i>Note (i)</i>)	505,946	1,265
Ordinary shares of HK\$0.0025 each at 30 June 2012	1,517,838	3,795

Note:

- (i) On 4 June 2012, a rights issue on the basis of one rights share for every two existing share held was completed at a subscription price of HK\$0.10 per rights share. A total of 505,945,998 rights shares were issued resulting in gross proceeds of approximately HK\$50.59 million to the Company. The new shares ranked pari passu with the then existing shares in all aspects.

13. CAPITAL COMMITMENTS

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Capital expenditure in relation to infrastructure of the cemetery but not provided in the unaudited consolidated financial statements	3,996	3,316

14. EVENT AFTER THE END OF THE REPORTING PERIOD

As at the end of the reporting date, the Company proposed to alter the terms and conditions of the CB2, which would extend the maturity date of the CB2. The alteration of the terms and conditions of the CB2 is subject to the approval by the shareholders of the Company (other than the bondholder of the CB2 and its associates) at a special general meeting of the Company and all other necessary contents and approvals required to be obtained by the Company and the holder of CB2.

15. RELATED PARTY TRANSACTIONS

During the reporting period, the Group has the following related party transactions.

	Three months ended		Six months ended	
	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)	30 September 2011 HK\$'000 (Unaudited)
Rental expense paid to:				
– a director of the Company	96	85	216	220
Interest on:				
– Loan from a director of the Company (Note (i))	79	–	79	182
– Convertible bonds issued to a director of the Company (Note (ii))	75	75	150	150
– Convertible bonds issued to a director of a jointly-controlled entity (Note (iii))	231	230	461	461
	385	305	690	793
Acquisition of a subsidiary from a director of the Company (Note (iv))	–	980	–	980
Remuneration of directors of the Group:				
– Short-term benefits	1,314	1,334	2,628	2,438
– Share-based payment	–	24	–	24
	1,314	1,358	2,628	2,462

Notes:

- (i) For the six months period ended 30 June 2012, the interest was accrued for an unsecured loan borrowed from Mr. Chui, an executive Director of the Company, with an aggregate amount of approximately HK\$8,699,900. The interest rate was 6% per annum. The loan principal and interest were fully repaid to Mr. Chui in June 2012.

For the six months period ended 30 September 2011, the interest was accrued for an unsecured loan borrowed from Mr. Chui, with an aggregate amount HK\$25,000,000. The interest rate was 5% per annum. The loan principal and interest were fully repaid to Mr. Chui in May 2011.

- (ii) The convertible bonds with principal amount of HK\$20,000,000 was issued to New Brilliant Investments Limited, which is wholly owned by Mr. Chui. Details of convertible bonds are set out in note 11 to the unaudited consolidated financial statements.
- (iii) The convertible bonds with principal amount of HK\$30,750,000 was issued to Forex (Holding) Inc., which is a Director of Era Investment (Holding) Inc, a jointly-controlled entity of the Group. Details of convertible bonds are set out in note 11 to the unaudited consolidated financial statements.
- (iv) On 30 September 2011, the Group acquired entire equity interests in Sage Funeral Services Limited, formerly known as Cheung Shing Funeral Limited ("Sage Funeral"), which was wholly owned by Mr. Chui. Sage Funeral is engaged in provision of funeral services in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and operation review

For the six months ended 30 June 2012, the revenue of Group and its jointly-controlled entity have increased by 55.00% from approximately HK\$4,484,000 to approximately HK\$6,950,000. The revenue was generated from the death care business, including sales of cemetery and the provision of funeral services and crematory services in the PRC. Increase in revenue is mainly due to the contribution of sales of burial units of cemetery. As a result of the unfavourable operating environment, the Group decided to discontinue the automobile trading business during the period and focus on the death care business in Hong Kong and China for better internal resources allocation.

The gross profit for the Group was 62.69% for the six months ended 30 June 2012 which remain stable (six months ended 30 September 2011: 62.87%). A relatively high profit margin in death care business was due to relatively low competition within the industry.

The loss for the six months period ended 30 June 2012 from continuing operation was approximately HK\$24,479,000 while it was approximately HK\$19,503,000 for the period ended 30 September 2011. The loss from a discontinue operation in prior period was approximately HK\$7,000. The increase of loss for the period from continuing operation was mainly due to increase in share-based payment as a result of issuing two warrants to consultant and employee of the Group. Moreover, it was also due to increase in finance costs related to the issue of a new convertible bonds in 2011 discussed below.

Sales and marketing expense also increased to HK\$1,237,000 for the six months period ended 30 June 2012 as compared to corresponding period ended 30 September 2011. The Group is actively in building up a comprehensive sales platform for its future sales development.

Administrative expenses for the six months period ended 30 June 2012 also increased by 13.95% to approximately HK\$17,534,000 as compared with the corresponding period ended 30 September 2011. The administrative expenses mainly comprised of (i) staff costs, approximately HK\$6,401,000, (ii) legal and professional fee, approximately HK\$1,146,000 and (iii) rental expense, approximately HK\$1,427,000. The Group is at its stage of setting up an administrative and management structure for its various business units. The trend of increase should be gradually slow down after 2012.

Finance costs for the six months period ended 30 June 2012 rose by approximately HK\$1,553,000 to approximately HK\$6,557,000 as a result of the additional interests expenses on convertible bonds issued to AXA Direct Asia II, L.P. in May 2011, with the amount of approximately HK\$3,608,000.

Death care business

Death care business is currently the core business of the Group. Due to its highly-fragmented nature of the industry in both Hong Kong and China, the quality of service varies among industry players. The industry has been perceived by people as non-transparent and monopolized. The Group is committed to revolutionize this industry through professional management and setting benchmarks for industry's best practice by providing transparency in pricing and operation, while offering affordable quality services. This intrinsic value drives our corporate philosophy and strategy in achieving our organization growth, cultivating culture and values and honoring our social responsibilities.

The Group currently owns three cemeteries in China, which are located in: (i) Suzhou, Jiangsu Province; (ii) Huaiji, Guangdong Province; and (iii) Bijie, Guizhou Province; with land bank for operating cemetery business of approximately 66,000 square meters, 117,000 square meters and 133,200 square meters, respectively. In additions, Huaiji Luck Mountain Funeral Parlour Limited, 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 related merchandise.
- (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.

Cemetery operation and management

Suzhou Cemetery

The cemetery was under redevelopment since mid 2011 with further injection of new capital expenditure of approximately HK\$6,177,000 during the period, which includes renovation of a new contemporary reception complex, construction of a modern and customer-friendly sales area and car park and transportation facilities. These new decorative and operating features have been installed with an aim to create a modern and friendly environment. The major constructions have been completed as of the reporting date. With the newly decorated landscape and buildings together with the high-ended site facilities, Suzhou Cemetery poised itself to become one of the most prominent high-end cemeteries in China.

The revenue of Suzhou Cemetery has been continuously rising and it is anticipated further growth in coming future following the completion of site remodeling. In additions, the Group keeps expanding its sales team and increase promotion for the professional service provided.

Huaiji Cemetery

Apart from the current funeral and crematory services, Huaiji Cemetery also under progress of cemetery license application for commercialised cemetery which is currently reviewing by PRC government. Huaiji Cemetery will commence the cemetery landscape and design work plan subject to obtaining all necessary licenses and approval in the second half of this year. 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

The statutory licensing procedures in relations to the cemetery operation are under progress with the PRC local government as at period end. Moreover, construction of the infrastructure and amenity facilities has also been started. The operation is expected to commence by the end of 2012.

Funeral Services

The Group has a funeral undertaking license for providing high quality of one-stop funeral services in Hong Kong. Currently, renovation is underway and a new shop will be opened in the second half of the year to take care of customers' needs in the funeral planning.

Preneed contract

The Group intends to launch its self-developed preneed products in Hong Kong in the second half of 2012. Preneed products are in the form of a contract between the service provider and customer so as to enable the customer to plan in advance of his own funeral event. The customer can lock in the price of his funeral service by such prepaid contract to avoid any future increase in cost of the funeral services. A formal trust arrangement will also be established to safeguard the customers' assets under this arrangement. In the long run, the Group plans to work with insurance company on new product development.

Prospects

According to National Bureau of Statistics of China, there were over 2 million, 7 million and 3 million of population were 65 years old or over in Shanghai, Guangdong and Guizhou, respectively in 2010. In view of the 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 region. The Group will focus on its business in three major areas: (i) cemetery operation, (ii) funeral service and (iii) preneed contract. The revenue of the Group is expected to increase based on these three core businesses when they become mature. Furthermore, the Group is actively looking for potential investment opportunities in regards of death care business. In order to expand the Group's network with the funeral service expertise in the world, the Group has joined as the member of National Funeral Directors Association ("NFDA"). NFDA has a worldwide source of expertise and professional resources for all facets of funeral service.

Liquidity and financial resources

The Group maintains a relatively healthy financial position for the current period and has completed another round of fund raising successfully through rights issue. As at 30 June 2012, the Group had bank balances and cash of approximately HK\$55,783,000 (31 December 2011: HK\$33,949,000). The increase of bank balances and cash was mainly due to the proceeds of a rights issue amounted to HK\$50.59 million which was completed in June 2012. The purpose of the rights issue was to finance the operating cashflow and future acquisition of the Group. The rights issue was received by 53.00% over-subscription and is considered very satisfactory under an adverse market condition.

As at 30 June 2012, the Group has total liabilities of approximately HK\$136,713,000 (31 December 2011: HK\$128,976,000) which mainly consist of convertible bonds of HK\$107,971,000 (31 December 2011: HK\$102,832,000). The equity attributable to the owner of the Company as at 30 June 2012 was approximately HK\$111,617,000 (31 December 2011: HK\$81,233,000) which is approximately 37.40% more than that of last period.

The gearing ratio (based on the total liabilities over the equity attributable to the owner of the Company) of the Group was reduced substantially from 1.59 as at 31 December 2011 to 1.22 as at 30 June 2012 following the rights issue.

The Board will review the capital structure of the Group on a regular basis and to capture favourable capital raising opportunity in order to ensure a well foundation for the Group to meet its future business growth and expansion.

Investment position and planning

The Group will continuously undertake research and identify potential cemetery and funeral services related investment opportunities to enhance its investment portfolio and cemetery land bank.

Investment held and material acquisition and disposals

There were no investment held and material acquisition and disposals as at 30 June 2012.

Employees and remuneration policies

As at 30 June 2012, the Group and its jointly-controlled entity had 103 (six months ended 30 September 2011: 91) employees, including Directors. Total staff costs for the six months ended 30 June 2012, including Directors' remuneration, amounted to approximately HK\$11,557,000 (six months ended 30 September 2011: HK\$8,164,000). The Group's employment and remuneration policies remained the same as detailed in the nine months ended 31 December 2011 Annual Report.

Charges on Group's assets and contingent liabilities

There were no charges on the Group's assets or any significant contingent liabilities as at 30 June 2012.

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company

As at 30 June 2012, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by Directors of the Company were as follows:

Interests in shares and underlying shares of the Company

(A) Number of ordinary shares and underlying shares beneficially held

Name of Directors	Capacity	Notes	Number of issued ordinary shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of the issued share capital of the Company
Mr. Chui Bing Sun ("Mr. Chui")	Interest of a controlled corporation	1	183,594,000	512,820,512	696,414,512	45.88%
	Personal	2	6,000	9,832,653	9,838,653	0.65%
	Person acting in concert	3	-	603,571,428	603,571,428	39.77%
			183,600,000	1,126,224,593	1,309,824,593	86.30%
Mr. Kwok Kwan Hung	Personal	4	660,000	18,324,489	18,984,489	1.25%
Mr. Law Yee Man, Thomas	Personal	4	600,000	1,117,346	1,717,346	0.11%
Mr. Chan Wai Man	Personal	4	270,000	1,340,816	1,610,816	0.11%
Mr. Siu Hi Lam, Alick	Personal	4	-	1,117,347	1,117,347	0.07%

Notes:

1. New Brilliant Investments Limited ("New Brilliant") was interested in 183,594,000 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 adjusted conversion price of HK\$0.039 per share upon the completion of Rights Issue on 4 June 2012. Accordingly, New Brilliant was interested in 512,820,512 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.
2. Mr. Chui had a personal interest in 6,000 shares and 9,832,653 underlying shares of the Company upon the completion of Rights Issue on 4 June 2012. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 9,832,653 shares at adjusted exercise price of HK\$0.447 per share.
3. Mr. Chui was deemed to be interested in 603,571,428 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.
4. For details of the underlying shares, please refer to the section headed "Share options" which stated all the details of share options granted to directors.

(B) Warrants

Name	Capacity	Number of warrants held after the completion of the rights issue	Number of underlying shares after the completion of the rights issue
Mr. Richard Andrew Connell	Beneficial owner	64,811,682	64,811,682
Ms. Ma Pun Sai, Betsy	Beneficial owner	44,928,005	44,928,005

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 30 June 2012.

(C) Share options

Pursuant to the new share options scheme adopted by the Company on 31 August 2011, certain Directors and participants were granted share options to subscribe for the Company's shares, details of share options outstanding and exercisable as at 30 June 2012 were as follows:

	Number of share options			Adjusted outstanding as at 30 June 2012	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2012	Granted during the period	Exercised during the period				
Category 1: Directors							
Mr. Chui	9,832,653	-	-	9,832,653	22 March 2011	22 March 2011 – 21 March 2021	HK\$0.447
Mr. Kwok Kwan Hung	357,551	-	-	357,551	15 February 2008	15 February 2008 – 14 February 2018	HK\$0.738
	1,117,347	-	-	1,117,347	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.191
	1,430,204	-	-	1,430,204	12 August 2010	12 August 2010 – 11 August 2020	HK\$0.526
	4,245,918	-	-	4,245,918	3 December 2010	3 December 2010 – 2 December 2020	HK\$0.477
	11,173,469	-	-	11,173,469	5 December 2011	5 December 2011 – 4 December 2021	HK\$0.254
Mr. Chan Wai Man	223,469	-	-	223,469	15 February 2008	15 February 2008 – 14 February 2018	HK\$0.738
	1,117,347	-	-	1,117,347	5 December 2011	5 December 2011 – 4 December 2021	HK\$0.254
Mr. Law Yee Man, Thomas	446,938	-	-	446,938	12 August 2011	12 August 2011 – 11 August 2021	HK\$0.392
	670,408	-	-	670,408	5 December 2011	5 December 2011 – 4 December 2021	HK\$0.254
Mr. Siu Hi Lam, Alick	1,117,347	-	-	1,117,347	5 December 2011	5 December 2011 – 4 December 2021	HK\$0.254
	31,732,651	-	-	31,732,651			

	Number of share options			Adjusted outstanding as at 30 June 2012	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2012	Granted during the period	Exercised during the period				
Category 2: Employees/Consultants							
Employee	3,575,510	-	-	3,575,510	14 December 2007	14 December 2007 – 13 December 2017	HK\$0.626
Employees	12,737,755	-	-	12,737,755	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.191
Employees	9,609,183	-	-	9,609,183	9 September 2010	9 September 2010 – 8 September 2020	HK\$0.513
Employees	7,151,020	-	-	7,151,020	13 September 2010	13 September 2010 – 12 September 2020	HK\$0.479
Employees	5,810,204	-	-	5,810,204	3 December 2010	3 December 2010 – 2 December 2020	HK\$0.477
Consultant	5,184,489	-	-	5,184,489	12 August 2010	12 August 2010 – 11 August 2020	HK\$0.526
Consultant	1,264,836	-	-	1,264,836	6 September 2010	6 September 2010 – 5 September 2020	HK\$0.443
Consultant	9,832,653	-	-	9,832,653	22 March 2011	22 March 2011 – 21 March 2021	HK\$0.447
	55,165,650	-	-	55,165,650			
Total	86,898,301	-	-	86,898,301			

Upon the completion of the rights issue on 4 June 2012, the exercise prices and the number of Shares to be issued under the outstanding Share Options were adjusted as above.

There were no share options cancelled, lapsed or forfeited during the six months ended 30 June 2012.

Substantial shareholders' interests and short positions in the shares, underlying shares and debentures of the Company

As at 30 June 2012, 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 and Section 336 of the SFO, were as follows:

Number of ordinary shares and underlying shares beneficially held

Name	Capacity	Notes	Number of shares	Number of underlying shares	Total number of shares and underlying shares held	Long/short position	Percentage of interests
New Brilliant	Beneficial owner	1	183,594,000	512,820,512	696,414,512	Long	45.88%
Mr. Chui	Interest of a controlled corporation	1	183,594,000	512,820,512	696,414,512	Long	45.88%
	Beneficial owner	2	6,000	9,832,653	9,838,653	Long	0.65%
	Person acting in concert	3	–	603,571,428	603,571,428	Long	39.77%
			183,600,000	1,126,224,593	1,309,824,593		86.30%
AXA PE Asia Manager Limited	Beneficial owner	3	–	603,571,428	603,571,428	Long	39.77%
	Person acting in concert	4	–	706,253,165	706,253,165	Long	46.53%
			–	1,309,824,593	1,309,824,593		86.30%
		5	–	452,678,571	452,678,571	Short	29.82%
MM3 International Limited	Beneficial owner	6	100,000,000	–	100,000,000	Long	6.59%
Forrex (Holding) Inc ("Forrex")	Beneficial owner	7	–	159,326,424	159,326,424	Long	10.50%
Mr. Luwen Kevin Duan ("Mr. Duan")	Interest of controlled corporations	6 and 7	100,000,000	159,326,424	259,326,424	Long	17.09%
Mr. Ho Sai Lon Mark	Beneficial owner		256,216,441	–	256,216,441	Long	16.88%
Capital VC Limited	Beneficial owner		206,962,000	–	206,962,000	Long	13.64%
Ms. Ma Pun Sai, Betsy	Beneficial owner		46,968,000	44,928,005	91,896,005	Long	6.05%
Mr. Li Siu Kim	Beneficial owner		90,666,664	–	90,666,664	Long	5.97%
Longlife Group Holdings Limited	Beneficial owner		77,768,000	–	77,768,000	Long	5.12%

Notes:

1. New Brilliant was interested in 183,594,000 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 adjusted conversion price of HK\$0.039 per share upon the completion of rights issue on 4 June 2012. Accordingly, New Brilliant was interested in 512,820,512 underlying shares of the Company derived from the convertible bonds. New Brilliant is wholly and beneficially owned by Mr. Chui.
2. Mr. Chui had a personal interest in 6,000 shares and 9,832,653 underlying shares of the Company.
3. Mr. Chui was deemed to be interested in 603,571,428 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.
4. 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"). 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 adjusted conversion price of HK\$0.161 per share upon the completion of rights issue on 4 June 2012, which represented 603,571,428 shares. AXA was deemed to be interested in 706,253,165, representing (i) 696,414,512 shares and underlying shares in respect of the convertible bonds issued by the Company to New Brilliant and (ii) 9,838,653 shares and underlying shares of options held by Mr. Chui, respectively; Mr. Chui and AXA are parties acting in concert.
5. A call option deed and put option deed were entered between AXA and New Brilliant, in which call option deed required AXA 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.
6. MM3 International Limited is wholly and beneficially owned by Mr. Duan, who is a director and wholly owned beneficial owner of Forex, a corporate director of a jointly-controlled entity of the Company.
7. The 3% convertible bonds of the Company in an aggregate principal amount of HK\$30,750,000 was held by Forex, which are convertible into 159,326,424 shares at adjusted conversion price of HK\$0.193 per share upon the completion of rights issue on 4 June 2012. Forex is wholly and beneficially owned by Mr. Duan. Forex is a corporate director of a jointly controlled entity of the Company.

Save as disclosed above, as at 30 June 2012, 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 and Section 336 of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

Advance to entity

As six months ended 30 June 2012, the aggregated amount of advances made by the Company to the jointly-controlled entity of the Group, approximately HK\$20,746,000, represents approximately 8.05% of the total assets value of the Group under the assets ratio (as defined under Rule 19.07(1) of the GEM Listing Rules), it constitutes as advance to entity under Rule 17.15 of the GEM Listing Rules.

The amounts are interest-free and repayable on demand.

Model code for securities transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors 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 enquiry of all Directors, all Directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the six months ended 30 June 2012.

Director's interests in competing business

During the period ended 30 June 2012 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 business which potentially compete, either directly or indirectly, with the business of the Group.

Mr. Chui has a wholly owned company, incorporated in Hong Kong, with its subsidiary, engaged in cemetery investments including potential acquisitions and management rights of cemetery operation in China. As such, the Board believes that Mr. Chui may, in some respects, regard as being interested in such competing business (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.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

Compliance with Corporate Governance Practices

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the “CG Code”) during the period under review, save for the deviation from code provisions A.2.1 is explained in the paragraph below.

Non-compliance with paragraph A2.1

Code provision A2.1 stipulates that the roles of Chairman and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual. During the six months ended 30 June 2012, Mr. Chui held the offices of Chairman and CEO of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Office 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.

Save as the non-compliance with Code provision A2.1 as described above, the Company has complied with the Code on Corporate Governance Practices (the “CG Code”) throughout the period under review. The Company will continue to 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.

Audit committee

The Company has established an audit committee (“AC”) with specific terms of reference explaining its role and authorities delegated by the Directors. 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.

The AC’s principal duties include reviewing the Group’s financial reporting system and internal control procedures, review of the Group’s financial information and review of the relationship with the auditors of the Company.

The AC has reviewed the Group’s unaudited results for the six months ended 30 June 2012.

By order of the Board
SAGE INTERNATIONAL GROUP LIMITED
Chui Bing Sun
Chairman and executive Director

Hong Kong, 13 August 2012

As at the date of this report, the executive Directors are Mr. Chui Bing Sun and Mr. Kwok Kwan Hung; and the independent non-executive Directors are Mr. Chan Wai Man, Mr. Law Yee Man, Thomas and Mr. Siu Hi Lam, Alick.