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SAGE

Sage International Group Limited
Interim Report 2013

(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

NOMINATION COMMITTEE

Mr. Law Yee Man, Thomas (*Chairman*)
Mr. Chan Wai Man
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

AUDITOR

PricewaterhouseCoopers

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
Wan Chai Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

Bank of Communications Co., Limited
Citibank, N.A., Hong Kong Branch
DBS Bank (Hong Kong) Limited

STOCK CODE

8082

CONTACT INFORMATION

Tel: +852 3150 8082
Fax: +852 3150 8092
Email: ir@sig.hk
Website: www.sig.hk

UNAUDITED 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 2013 together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2013

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited and restated)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited and restated)
Revenue	3	8,934	1,878	16,757	3,782
Cost of sales		(5,633)	(1,163)	(12,436)	(1,400)
Gross profit		3,301	715	4,321	2,382
Other income	4	828	102	1,530	268
Gain on deemed disposal of jointly-controlled entity	11	–	–	463	–
Share of loss of jointly-controlled entity	10	–	(723)	–	(1,552)
Sales and marketing expenses		(3,569)	(1,330)	(6,319)	(2,337)
Administration expenses		(421)	(1,292)	(1,594)	(2,539)
– Share-based payment			(7,454)		(14,439)
– Others					
Finance costs	5	(2,577)	(1,027)	(3,986)	(1,975)
LOSS BEFORE TAXATION		(14,748)	(11,009)	(27,055)	(20,192)
Income tax credit	6	1,403	–	1,403	–
LOSS FOR THE PERIOD	9	(13,345)	(11,009)	(25,652)	(20,192)
Attributable to:					
Owners of the Company		(10,905)	(10,967)	(23,168)	(20,231)
Non-controlling interests		(2,440)	(42)	(2,484)	39
		(13,345)	(11,009)	(25,652)	(20,192)
Dividend	7	–	–	–	–
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8				
Basic (HK\$ per share)					
– For loss for the period		HK\$(0.007)	HK\$(0.009)	HK\$(0.015)	HK\$(0.018)
Diluted (HK\$ per share)					
– For loss for the period		N/A	N/A	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2013

	Three months ended 30 June		Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000 (Unaudited and restated)	2013 HK\$'000	2012 HK\$'000 (Unaudited and restated)
Loss for the period	(13,345)	(11,009)	(25,652)	(20,192)
Other comprehensive income:				
Exchange differences on translating foreign operations	968	343	597	426
Total comprehensive loss for the period	(12,377)	(10,666)	(25,055)	(19,766)
Attributable to:				
Owners of the Company	(9,870)	(10,794)	(22,494)	(19,838)
Non-controlling interests	(2,507)	128	(2,561)	72
	(12,377)	(10,666)	(25,055)	(19,766)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited and restated)
NON-CURRENT ASSETS			
Property, plant and equipment	12	61,681	35,453
Intangible assets		28,254	13,190
Cemetery assets use rights		447,798	–
Interests in jointly-controlled entity		–	138,383
Deposits for non-current assets		28,538	25,812
		566,271	212,838
CURRENT ASSETS			
Inventories		151,112	11,886
Prepayments, deposits and other receivables		7,418	11,286
Balances with a jointly-controlled entity		–	32,878
Derivative financial instrument		1,771	1,771
Cash and cash equivalents		14,562	11,261
		174,863	69,082
CURRENT LIABILITIES			
Trade payables	13	2,140	353
Loan from a non-controlling interest		2,510	–
Other payables and accruals		25,688	10,330
Other borrowings		21,229	–
		51,567	10,683
NET CURRENT ASSETS		123,296	58,399
TOTAL ASSETS LESS CURRENT LIABILITIES		689,567	271,237
NON-CURRENT LIABILITIES			
Other payables and accruals		4,183	1,076
Deferred income tax liabilities		142,023	5,320
Other borrowings		31,956	–
Convertible bonds	14	108,783	107,626
		286,945	114,022
NET ASSETS		402,622	157,215
CAPITAL AND RESERVES			
Share capital	15	3,795	3,795
Reserves		126,827	132,960
Equity attributable to owners of the Company		130,622	136,755
Non-controlling interests		272,000	20,460
		402,622	157,215

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the Company											Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Option deed HK\$'000	Share-based payment reserve HK\$'000	Warrants shares reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2012 (audited)	2,530	68,768	31,713	8,575	19	221,354	3,933	28,609	(227,830)	137,671	69,087	206,758
Change in accounting policy (note 2)	-	-	-	(8,214)	-	-	-	-	(59)	(8,273)	(48,438)	(56,711)
At 1 January 2012 (restated)	2,530	68,768	31,713	361	19	221,354	3,933	28,609	(227,889)	129,398	20,649	150,047
Loss for the period (restated)	-	-	-	-	-	-	-	-	(20,231)	(20,231)	39	(20,192)
Other comprehensive income for the period (restated)	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	393	-	-	-	-	-	393	33	426
Total comprehensive loss for the period (restated)	-	-	-	393	-	-	-	-	(20,231)	(19,838)	72	(19,766)
Rights issue	1,265	48,809	-	-	-	-	-	-	-	50,074	-	50,074
Equity-settled share options arrangement	-	-	-	-	-	866	-	-	-	866	-	866
Equity-settled warrants shares arrangement	-	-	-	-	-	-	1,673	-	-	1,673	-	1,673
At 30 June 2012 (unaudited)	3,795	117,577	31,713	754	19	222,220	5,606	28,609	(248,120)	162,173	20,721	182,894
At 1 January 2013 (audited)	3,795	117,577	31,713	9,938	19	221,765	7,280	28,609	(273,157)	147,539	68,133	215,672
Change in accounting policy (note 2)	-	-	-	(9,114)	-	-	-	-	(1,670)	(10,784)	(47,673)	(58,457)
At 1 January 2013 (restated)	3,795	117,577	31,713	824	19	221,765	7,280	28,609	(274,827)	136,755	20,460	157,215
Loss for the period	-	-	-	-	-	-	-	-	(23,168)	(23,168)	(2,484)	(25,652)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	674	-	-	-	-	-	674	(77)	597
Total comprehensive loss for the period	-	-	-	674	-	-	-	-	(23,168)	(22,494)	(2,561)	(25,055)
Deemed acquisition of interest in subsidiary	-	-	-	17,414	-	-	-	-	(2,647)	14,767	254,101	268,868
Equity-settled share options arrangement	-	-	-	-	-	764	-	-	-	764	-	764
Equity-settled warrants shares arrangement	-	-	-	-	-	-	830	-	-	830	-	830
At 30 June 2013 (unaudited)	3,795	117,577	31,713	18,912	19	222,529	8,110	28,609	(300,642)	130,622	272,000	402,622

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited and restated)
Net cash used in operating activities	(20,386)	(22,756)
Net cash generated from/(used in) investing activities	1,400	(776)
Net cash generated from financing activities	22,198	50,074
Net increase in cash and cash equivalents	3,212	26,542
Cash and cash equivalents at the beginning of the reporting period	11,545	32,045
Effects of foreign exchange rate change	(195)	(316)
Cash and cash equivalents at the end of the reporting period	14,562	58,271
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	14,562	58,271

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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 unaudited condensed consolidated financial statements should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2012 (“2012 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 2012 Annual Report.

2. SIGNIFICANT ACCOUNTING POLICIES

Application of new and revised HKFRS which are issued and effective

During the period ended 30 June 2013, the Group has applied for the first time of the amendments to HKFRS 11 – Joint arrangement (“HKFRS 11”). Under the amendments, HKFRS 11 are required to be accounted for using equity method of accounting. The amendments to HKFRS 11 have been applied retrospectively. Details of the interests in a jointly-controlled entity are disclosed in note 10.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investment in Era Investment (Holding) Inc. ("EIH"), which was classified as a jointly-controlled entity under HKAS 31 and was accounted for using the proportionate consolidation method, should be classified as a joint venture under HKFRS 11 and accounted for using the equity method. The change in accounting of the Group's investment in EIH has been applied in accordance with the relevant transitional provisions set out in HKFRS 11. The initial investment as at 1 January 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables below for details). Also, the directors performed an impairment assessment on the initial investment as at 1 January 2012 and concluded that no impairment loss is required. Comparative amounts for 2012 have been restated to reflect the change in accounting for the Group's investment in EIH.

Summary of the effect of the above changes in accounting policy

The effect of the changes in the Group's accounting policy described above on the results for the preceding interim periods by line items presented in the condensed consolidated income statement and statement of comprehensive income are as follows:

Impact on loss for the six months period ended 30 June 2012

	HK\$'000
Decrease in revenue	(3,128)
Decrease in cost of sales	3,845
Decrease in other income	(172)
Decrease in sales and marketing expenses	287
Decrease in administration expenses	1,229
Decrease in finance costs	728
Decrease in income tax credit	(673)
	<hr/>
Net decrease in loss for the interim period	2,116
Decrease in loss attributable to non-controlling interests	(564)
	<hr/>
	1,552
	<hr/>
	HK\$'000
Decrease in loss for the interim period attributable to:	
Owners of the Company	–
Non-controlling interests	564
	<hr/>
	564
	<hr/>
Decrease in total comprehensive income for the interim period attributable to:	
Owners of the Company	9,114
Non-controlling interests	–
	<hr/>
	9,114
	<hr/>

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year is as follow:

	As at 31 December 2012 (originally stated) HK\$'000	Effect of application of amendments to HKFRS 11 HK\$'000	As at 31 December 2012 (restated) HK\$'000
Property, plant and equipment	48,680	(13,227)	35,453
Intangible assets	25,375	(12,185)	13,190
Cemetery assets use rights	212,765	(212,765)	–
Interests in jointly-controlled entity	–	138,383	138,383
Deposits for non-current assets	25,972	(160)	25,812
Inventories	80,959	(69,073)	11,886
Prepayments, deposits and other receivables	9,737	1,549	11,286
Balances with a jointly-controlled entity	18,364	14,514	32,878
Cash and cash equivalents	11,545	(284)	11,261
Trade payables	(867)	514	(353)
Other payables and accruals	(23,318)	11,912	(11,406)
Deferred income tax liabilities	(70,688)	65,368	(5,320)
Other borrowings	(15,768)	15,768	–
Total effects on net assets	322,756	(59,686)	263,070
Non-controlling interests	(68,133)	47,673	(20,460)
Accumulated loss	273,157	1,670	274,827
Exchange reserve	(9,938)	9,114	(824)
Total effects on equity	195,086	58,457	253,543

Impact on basic loss per share

	Six months ended 30 June 2012 HK\$
Basic loss per share before adjustments	(0.018)
Adjustments arising from the change in accounting policy in relation to:	
– application of HKFRS 11	–
Reported basic loss per share	(0.018)

Impact of new and revised HKFRS 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.

3. OPERATING SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors and senior management collectively. They review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments from a geographic locations perspective, mainly Hong Kong and Mainland China.

In Mainland China, the Group mainly derives its revenue from the sales of interments right and cemetery related merchandise and the rendering of funeral services. In Hong Kong, the Group mainly derives its revenue from the rendering of funeral services. Sales between segments are carried out at arm's length. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated income statement.

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

The segment results and other segment items for the six months ended 30 June 2013 are as follows:

	Mainland China HK\$'000 (Unaudited)	Hong Kong HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:			
Sales to external customers	10,834	5,923	16,757
Operating loss	(5,622)	(4,287)	(9,909)
Unallocated corporate expenses, net			(13,160)
Finance costs			(3,986)
Loss before taxation			(27,055)

The segment results and other segment items for the six months ended 30 June 2012 are as follows:

	Mainland China HK\$'000 (Unaudited)	Hong Kong HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:			
Sales to external customers	3,655	127	3,782
Operating loss	(805)	(1,097)	(1,902)
Share of loss of a jointly-controlled entity			(1,552)
Unallocated corporate expenses, net			(14,763)
Finance costs			(1,975)
Loss before taxation			(20,192)

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

	Three months ended 30 June		Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Sales of interments right and related products	4,027	–	6,922	–
Rendering of funeral and cremation services	4,857	1,878	9,767	3,782
Management service	50	–	68	–
	8,934	1,878	16,757	3,782

4. OTHER INCOME

An analysis of the other income is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Rental income	246	97	492	193
Sundry income	582	5	1,038	75
	828	102	1,530	268

5. FINANCE COSTS

An analysis of the finance costs is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interests on:				
– Other borrowings wholly repayable within five years	1,253	79	1,253	79
– Other borrowings wholly repayable after five years	440	–	965	–
– Convertible bonds	884	948	1,768	1,896
	2,577	1,027	3,986	1,975

6. INCOME TAX CREDIT

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Deferred income tax	1,403	–	1,403	–
Income tax credit	1,403	–	1,403	–

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for both periods. No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the period ended 30 June 2013 (for the period ended 30 June 2012: Nil).

The PRC subsidiaries are subject to the PRC corporate income tax at 25% for both periods. No provision for the PRC corporate income tax has been made as the Group has tax losses brought forward to offset the assessable profits generated in the PRC for the period (for the period ended 30 June 2012: no assessable profits). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. DIVIDEND

The Directors do not recommend the payment of a dividend nor transfer of any amount to reserves for the six months ended 30 June 2013 (30 June 2012: Nil).

8. 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 2013 attributable to owners of the Company, and the weighted average number of ordinary shares of 1,517,837,994 and 1,517,837,994 respectively (2012: 1,195,168,357 and 1,130,634,429 respectively) in issue during the period.

No diluted loss per share has been calculated for both periods ended 30 June 2013 and 30 June 2012 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 30 June		Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Loss				
Loss attributable to owners of the Company used in the basic loss per share calculation:	(10,905)	(10,967)	(23,168)	(20,231)
Interest on convertible bonds	884	948	1,768	1,896
Loss attributable to owners of the Company before interest on convertible bonds	(10,021)	(10,019)	(21,400)	(18,335)
	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	1,517,837,994	1,195,168,357	1,517,837,994	1,130,634,429
Weighted average number of ordinary shares used in the diluted loss per share calculation	N/A	N/A	N/A	N/A

Note: The weighted average number of ordinary shares for the three months ended and six months ended 30 June 2012 were adjusted for the effect of rights issue with effective on 5 June 2012.

9. LOSS FOR THE PERIOD

Loss for the period is stated after crediting and charging the following:

	Three months ended 30 June		Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Cost of inventories recognised as expense				
– cemetery assets use rights	3,609	–	5,829	–
– cemetery merchandises	1,122	–	1,703	–
Amortisation of cemetery assets use rights	3,609	–	5,829	–
Employees benefits expenses	4,566	4,477	11,446	8,714
Depreciation of property, plant and equipment	1,756	253	2,685	970
Equity-settled warrant shares expenses for non-employee	229	488	457	976
Equity-settled share options expenses for non-employees	–	410	–	866
Minimum lease payments under operating leases in respect of land and buildings	890	566	1,945	1,364

10. INTERESTS IN JOINTLY-CONTROLLED ENTITY

The following table illustrates the summarized financial information of the Group's jointly-controlled entity which is accounted for using the equity method is set out below:

	As at 31 December 2012 HK\$'000
Share of the jointly-controlled entity's assets and liabilities:	
Non-current assets	238,337
Current assets	69,734
Current liabilities	(18,459)
Non-current liabilities	(87,708)
Net assets	201,904

	Three months ended 30 June 2012 HK\$'000 (Unaudited)	Six months ended 30 June 2012 HK\$'000 (Unaudited)
Share of the jointly-controlled entity's income and expenses:		
Income	1,786	3,301
Expenses	(2,931)	(5,526)
Income tax credit	422	673
Loss after taxation	(723)	(1,552)

11. DEEMED DISPOSAL OF INTEREST IN A JOINTLY-CONTROLLED ENTITY AND DEEMED ACQUISITION OF INTEREST IN A SUBSIDIARY

On 16 January 2013, Forrex (Holding) Inc. ("Forrex") who jointly controls Era Investment (Holding) Inc. ("EIHI") with Grand Creation Investments Limited ("Grand Creation"), a wholly own subsidiary of the Company, has given an unconditional irrevocable undertaking (the "Undertaking") in favour of Grand Creation pursuant to which Forrex shall vest to Grand Creation all of the voting rights enjoyed by Forrex in respect of its 50% equity interest in EIHI from time to time. The Undertaking shall be valid for a term of three years and subject to further review of the terms of the Undertaking therein upon renewal. Upon the execution of this Undertaking, the Group has the power to govern the financial and operating policies of EIHI whereby the Group has to account for such transaction as a business combination and treated EIHI as a non-wholly owned subsidiary of the Group thereafter.

Taking into account the execution of the Undertaking, the Group recognized it as a deemed disposal of 50% equity interest in EIHI, a jointly-controlled entity and a deemed acquisition of 50% of equity interest in EIHI.

The fair value of the identifiable assets and liabilities of 50% equity interest in EIHI recognized at the deemed disposal is as follow:

	50% equity interest in EIHI HK\$'000
Non-current assets	320,646
Current assets	4,333
Non-current liabilities	(99,743)
Current liabilities	(21,123)
Total identifiable net assets at fair value	204,113
Non-controlling interest	(52,173)
	151,940
	HK\$'000
Gain on deemed disposal of 50% equity interest of EIHI	463

Following the deemed disposal of 50% equity interest in EIHI, the fair value of assets and liabilities recognized at the date of the Undertaking commence in relation to the deemed acquisition of 50% equity interest in EIHI are as follows:

	50% equity interest in EIHI HK\$'000
Non-current assets	320,646
Current assets	4,333
Non-current liabilities	(99,743)
Current liabilities	(21,123)
Total identifiable net assets at fair value	204,113
Non-controlling interest	(52,173)
	151,940

With the result of the execution of the Undertaking, the Group treated such transaction as a business combination and considered it as a deemed disposal of the existing 50% equity interest in EIHI and a deemed acquisition of 50% equity interest in EIHI. No actual consideration involved in this transaction.

As at reporting date, the Group has not finalized the fair value assessments for the net assets deemed disposed of and deemed acquired from this transaction. The relevant fair values of net assets deemed disposed of and deemed acquired stated above are on a provisional basis.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group has additions of approximately HK\$26,228,000 (31 December 2012: HK\$22,910,000) following the deemed acquisition of 50% equity interest in EIHI and do not have any material disposal during the both periods.

13. TRADE PAYABLES

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

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited and restated)
0 – 30 days	922	138
31 – 60 days	5	62
Over 60 days	1,213	153
	2,140	353

14. CONVERTIBLE BONDS

The Group and the Company

On 23 June 2010, the Company issued a convertible bond with principal amount of HK\$20,000,000 ("CB1") to New Brilliant Investments Limited, which is wholly-owned by Mr. Chui Bing Sun ("Mr. Chui"), a director of the Company. 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. 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 31 March 2015. The conversion price has been adjusted to HK\$0.039 due to the rights issue on 4 June 2012. If CB1 has not been converted, they will be redeemed at par on 31 March 2015. Interest will be paid annually until the maturity date.

On 26 October 2010, the Company issued two convertible bonds with aggregate principal amount of HK\$36,900,000 ("CB2.1") and HK\$30,750,000 ("CB2.2"), respectively to Forrex, which is a director of EIH. CB2.1 and CB2.2 bears interest at 0% and 3% per annum, respectively (calculated on a 360 days basis) on the principal amounts of the convertible bonds outstanding from time to time, payable annually in arrear on the maturity date. CB2.1 and CB2.2 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 was 30 September 2011 and 30 September 2012, respectively. CB2.1 was fully converted into 30,000,000 ordinary shares at the adjusted conversion price of HK\$1.23 in 2011. On 15 August 2012, the Company entered into the Deed of Amendment in relation to extend the maturity date of CB2.2 from 30 September 2012 to 31 May 2016 due to both the Company and the bondholder expect a satisfactory return to be generated by the Group resulting in appreciation of the Group's overall value. Further, the conversion price of CB2.2 has been adjusted to HK\$0.193 due to the rights issue on 4 June 2012. CB2.2 includes an early redemption option for the Company to redeem the bond, at any time, at par (plus any accrued and unpaid interest). This has been separately accounted for as a financial derivative asset. Upon the execution of the Deed of Amendment, the maturity date of CB2.2 was extended to 31 May 2016. Such amendment was accounted for as an extinguishment of the original convertible bond and the recognition of a new convertible bond. The difference of HK\$9,337,000 between the liability component of the original convertible bond and the new convertible bond was included in profit or loss for the year ended 31 December 2012.

On 23 May 2011, the Company issued a convertible bond with principal amount of US\$12,500,000 (equivalent to approximately HK\$97,175,000) to AXA Direct Asia II, L.P., ("AXA") which is an independent third party. CB3 is non-interest bearing. 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 22 May 2016. The conversion price has been further adjusted to HK\$0.161 due to the rights issue on 4 June 2012. CB3 provides an early redemption option for AXA to redeem the bond at par when other convertible bonds are redeemed into cash.

(a) Convertible bonds – Share-based payment transactions

Each convertible bond accounted for under share-based payment transactions consists of a liability component and an equity component. The equity component is presented in equity heading "share-based payment reserve". The movement of the liability and equity components of the convertible bonds for the period is set out below:

Date of issue	CB1	CB3	Total
	23.06.2010	23.05.2011	
Maturity date	31.03.2015	22.05.2016	HK\$'000
	HK\$'000	HK\$'000	HK\$'000
Liability component at 1 January 2012 (audited)	18,523	57,608	76,131
Fair value changes of convertible bonds	267	9,166	9,433
Liability component at 31 December 2012 (audited) and 30 June 2013 (unaudited)	18,790	66,774	85,564

(b) Convertible bond

Date of issue	CB2.2
Maturity date	26.10.2010
	31.05.2016
	HK\$'000
Liability component at 1 January 2012 (audited)	28,848
Interest expense	3,502
Interest accrued	(951)
Gain arising on extinguishment of CB2.2	(9,337)
Liability component at 31 December 2012 (audited)	22,062
Interest expenses	1,618
Interest accrued	(461)
Liability component at 30 June 2013 (unaudited)	23,219

Note:

- (i) Interest charged on CB2.2 was calculated using the effective interest method by applying the effective interest rate of 13.4% per annum to the liability components. The liability component of CB1 and CB3, which are treated as share-based payment transaction, are stated at fair value.

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.

15. SHARE CAPITAL

	Number of shares '000	Shares capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.0025 each at 1 January 2013 and 30 June 2013	32,000,000	80,000
Issued and fully paid:		
Ordinary shares of HK\$0.0025 each at 1 January 2013 and 30 June 2013	1,517,838	3,795

16. RELATED PARTY TRANSACTIONS

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

	Three months ended 30 June		Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Rental expense paid to:				
– a director of the Company	250	96	475	216
Interest on:				
– Loan from a director of the Company (Note (i))	1,251	79	1,251	79
– Convertible bonds issued to a director of the Company (Note (ii))	75	75	150	150
– Convertible bonds issued to a director of a subsidiary (Note (iii))	231	231	461	461
	1,557	385	1,862	690
Remuneration of directors of the Group:				
– Short-term benefits	1,620	1,314	3,223	2,628
– Share-based payment	–	–	763	–
	1,620	1,314	3,986	2,628

Notes:

- (i) For the six months period ended 30 June 2013, the interest was accrued for an unsecured loan borrowed from Mr. Chui, a director of the Company, with amount of approximately HK\$20,000,000 and HK\$4,507,000. The interest rates were 19% and 11% per annum respectively.

For the six months period ended 30 June 2012, the interest was accrued for an unsecured loan borrowed from Mr. Chui, with an aggregate amount 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.
- (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 14 to the unaudited consolidated financial statements.
- (iii) The convertible bonds with principal amount of HK\$30,750,000 was issued to Forrex, which is a corporate director of EIH, a subsidiary of the Company (formerly treated as a jointly-controlled entity). Details of convertible bonds are set out in note 14 to the unaudited consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and operation review

For the six months ended 30 June 2013, the revenue of Group increased by 343.07% to approximately HK\$16,757,000 (six months ended 30 June 2012: HK\$3,782,000). The significant increase in revenue was mainly due to the effect of the new accounting treatment adopted by a subsidiary of the Company during the current period. This has the effect of a 100% full consolidation of the results of the subsidiary, Era Investment (Holding) Inc. ("EIHI"), a previous jointly-controlled entity of the Group, following an unconditional irrevocable undertaking (the "Undertaking") provided by Forrex (Holding) Inc. ("Forrex"), a partner of EIHI, on 16 January 2013, in favour of Grand Creation Investments Limited ("Grand Creation"), a wholly owned subsidiary of the Company. The revenue of EIHI and its subsidiary, Suzhou Celebrities Cemetery Industry Company Limited ("Suzhou Cemetery") (collectively named "EIHI Group"), for the six months ended 30 June 2013 is HK\$6,957,000 and accounts for 41.52% of the total Group's turnover while, in prior period, no revenue was consolidated for EIHI Group because the result were presented under equity accounting method without the Undertaking.

Pursuant to the Undertaking, Forrex shall vest to Grand Creation all of the voting rights enjoyed by Forrex in respect of its 50% equity interest in EIHI Group from time to time. Following the Undertaking, EIHI Group becomes a subsidiaries of the Group for the period ended 30 June 2013. In prior period, the results of EIHI Group was accounted for under equity accounting method and presented as "Share of loss of jointly-controlled entity". Apart from the effect of the Undertaking, the turnover generated from Hong Kong funeral services is HK\$5,923,000, accounted for 35.35% of the total Group's turnover and this business commenced since third quarter in 2012.

For the six months ended 30 June 2013, the gross profit was increased to HK\$4,321,000 for the six months period ended 30 June 2013 (six months ended 30 June 2012: HK\$2,382,000). The overall gross profit margin for the Group was 25.79% as compared with that of prior period of 62.98%. The gross profit for current period has been charged with an amortization of the cemetery use right which amounted to approximately HK\$5,829,000. Such item has no cashflow impact to the Group's operation.

The loss for the period ended 30 June 2013 was approximately HK\$25,652,000 (for the period ended 30 June 2012: approximately HK\$20,192,000). Majority of the costs incurred are in the area of building up a quality management team and also technology and workflow design in this industry. Since the Group still operates in the early stage of deathcare industry lifecycle, more time is needed to achieve remarkable growth in revenue and results. However, the recent increase in revenue derived from the provision of funeral services in Hong Kong is a positive sign to justify our strategic move and business prospects. It is the Company's long term goal that the Group will establish market-leading position in the funeral industry and achieve an efficient operating model in coming years.

Sales and marketing expenses

Sales and marketing expenses for the period ended 30 June 2013 were HK\$6,319,000, which have increased from HK\$2,337,000 in prior period because a larger scale sales promotion activities and exhibitions were carried out for the Group's corporate image, funeral services and products. The expenses were mainly associated with respective sales and marketing staff costs, sales commission and corporate marketing promotion events held for Hong Kong and international business development.

Administrative expenses

Administrative expenses have increased from HK\$16,978,000 for the period ended 30 June 2012 to HK\$23,064,000 for the period ended 30 June 2013. The administrative expenses during the current period mainly comprised of staff costs and rental expenses. The total staff costs have increased by 31.35% from HK\$8,714,000 for the prior period to HK\$11,446,000 for the period ended 30 June 2013 due to the additional operation staffs and consultants were recruited during the period to cope with the business expansion, particularly for the operation staff.

Finance costs

For the period ended 30 June 2013, the finance costs has increased by 101.82% from HK\$1,975,000 for the period ended 30 June 2012 to HK\$3,986,000 for the period ended 30 June 2013. It mainly represents the interest expense incurred in the convertible bond issued by the Company and the other borrowings.

Operation review – Hong Kong

Funeral services

In Hong Kong, we have two funeral undertaking shops in Hung Hom and Wan Chai, offering a complete range of funeral services and products on both at-need and preneed basis.

The Group maintained a steady growth in at-need funeral services and also had positive feedback from preneed customers. Sales increased significantly from HK\$127,000 for the six months ended 30 June 2012 to HK\$5,923,000 for the six months ended 30 June 2013. The Group was still incurring loss in this business unit during the period as the business is at its initial set up stage and volume of sales are yet to reach its designed optimal level. During the period, the Group has participated in two major exhibitions in Hong Kong, namely Hong Kong Senior Fair and Asia Funeral Expo ("AFE"); Sage was honor to receive an award from AFE for being well-organized and long-term commitment of carrying out social responsibility programs in Hong Kong; The Group has built up solid regional connection with major funeral players in other countries through AFE. Despite its relatively short operating history as compared with its counterparts elsewhere, Sage is well recognised as a fast-mover and innovator in the funeral industry in Hong Kong.

The Group has been appointed by the Hong Kong government as the sole service provider for sea burial in the Hong Kong territories since January 2013 and received well recognition from the general public. Apart from the sea burial services, the Group will continue to develop green funeral services and sales of related funeral products to the customers in Hong Kong. To cope with the problem of shortage of niche and burial plot available in Hong Kong, the Group was pleased to introduce Sage Eternity Gem during the period through the acquired advanced overseas technology to process cremated ashes into a durable crystal as a memorial for those who lost their loved ones. The Group targeted to introduce other modern and innovative funeral products, like stylish and personalized coffin, to the Hong Kong market in the second half of the year.

Furthermore, in order to maintain the high standard of preneed and at-need services, the Group arranged its staff to attend funeral directors training in May 2013 and obtained accreditation from National Funeral Directors Association ("NFDA"), a worldwide recognized professional funeral directors association.

Preneed funeral plan

The Group had also launched preneed funeral plans in late 2012. These plans represent future incremental business for the funeral service division. During the period, we marketed our preneed services and products to elderly customers and several contracts were signed up. The Group sees the huge potential of the preneed market in Hong Kong as the population is starting to age at a faster pace in the coming decade and will design and promote more variety of package of services and interments to fit the needs of various community. Following the accreditation as NFDA funeral directors, our long-term goal is to capture the mass market customer group through installment plan and insurance-linked products.

Operation review – China

Cemeteries

Suzhou

The revenue from Suzhou cemetery for period ended 30 June 2013 has increased gently for the current period. However, prior period revenue was not accounted for as the Group's turnover under the equity accounting method. The Group planned to increase the market share in Suzhou and Shanghai area and tried to strengthen and expand the sales and marketing team by recruiting new experienced marketing staff, increase its penetration rate by increasing promotion in local region and establishing new point-of-sale unit to capture new market. Customized high-end VIP burial plots were also introduced to capture those high-net worth customers in the future.

Huaiji

The Group has obtained the land use rights licence of the new cemetery in Huaiji as at reporting date, the construction work on infrastructure has started and the sales of interment rights is expected to commence in second half of 2013. The Group foresees the cemetery sales in Huaiji will bring in another growth of revenue in the second half of 2013.

Bijie

Due to the unsatisfactory weather and extra time for applying additional working permits since late 2012, the construction work of Bijie cemetery has delayed and expected sales will also be further postponed. The Group did not foresee any significant contribution in revenue and results from Bijie cemetery in this year.

Funeral services

Huaiji crematory and funeral Parlour

The funeral home and cremation businesses in Huaiji have a steady growth as compared with prior period. The Group has replaced the aged furnaces in late 2012 in order to improve the efficiency of the cremation time. Moreover, with the local government's education to the residents and the effort we contributed, the cremation rate in Huaiji is improving continuously. The Group also planned to expand its market share by increasing its geographical coverage in Western Guangdong area and providing product diversification to customers.

Prospects

After few years of business acquisitions in the deathcare industry since 2010, the Group has started its second stage of development and will focus on consolidating and streamlining of the current business operations. The Group will continuously concentrate on developing its current deathcare business, and will, from time to time, monitor the progress of the performance and contribution of respective business unit to maximize Shareholder's value, by evaluating the profitability and cash flow contribution of respective unit. The Group will also review regularly the return on investment and the Group is optimistic about the deathcare industry in Hong Kong and China, we will keep developing new innovative products and, through continuous public education, leverage of technology and human capital assets to revolutionize this industry. In addition, the Company will also continuously review the possibility of any fund raising opportunities and achieving maximized capital structure to cope with the Group's operation and working capital needs.

Liquidity and financial resources

The Group maintains a relatively stable financial position for the current period. As at 30 June 2013, the Group had bank balances and cash of approximately HK\$14,562,000 (31 December 2012: HK\$11,261,000). The net cash used in operation during the period mainly for staff costs, rental, the set up cost of Sage Eternity Gem workshop and the expenses incurred for holding exhibitions during the period.

As at 30 June 2013, the Group has total liabilities of approximately HK\$338,512,000 (31 December 2012: HK\$124,705,000). The increase is due to the result of 100% fully consolidated the assets and liabilities of EIH Group which it formerly treated as a jointly-controlled entity of the Group. The total liabilities mainly consists of convertible bonds of HK\$108,783,000 (31 December 2012: HK\$107,626,000) and the deferred income tax liabilities of HK\$142,023,000 (31 December 2012: HK\$5,320,000). The equity attributable to the owner of the Company as at 30 June 2013 was approximately HK\$130,622,000 (31 December 2012: HK\$136,755,000).

With the impact of 100% fully consolidated the assets and liabilities of EIH Group, the gearing ratio (based on the total liabilities over the equity attributable to the owner of the Company) of the Group was increased from 0.91 as at 31 December 2012 to 2.59 as at 30 June 2013.

The Group also made advance of an interest-bearing loan from its major shareholder amounted to HK\$20 million during the period for financing its working capital requirement.

The Group has gained substantial knowledge and experience in the deathcare business since entering into the industry in mid 2010 and both challenges and opportunities are identified during these period of time. The Board will try to maintain a most beneficial and efficient operating model and capital structure for the Group to establish a well foundation to meet its future business growth and challenge.

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

Excepts for the deemed disposal of interest in a jointly-controlled entity and deemed acquisition of interest in a subsidiary disclosed in note 11 to the unaudited consolidated financial statements, there were no investment held and material acquisition and disposals as at 30 June 2013.

Currency risk exposure

As at 30 June 2013, the Group had no material exposure to foreign exchange risk. The majority of the Group's assets were denominated in its functional currency of either Hong Kong Dollars or Renminbi. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the Group will monitor its currency exposure and elect to hedge its currency risk when appropriate.

Employees and remuneration policies

As at 30 June 2013, the Group had 115 (six months ended 30 June 2012: 103) employees, including Directors. Total staff costs for the six months ended 30 June 2013, including Directors' remuneration, amounted to approximately HK\$11,446,000 (six months ended 30 June 2012: HK\$8,714,000). The Group's employment and remuneration policies remained the same as detailed in the year ended 31 December 2012 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 2013.

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

As at 30 June 2013, 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	33,494,489	34,154,489	2.25%
Mr. Law Yee Man, Thomas	Personal	4	400,000	1,117,346	1,517,346	0.10%
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 adjusted warrants held	Number of adjusted underlying shares
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 2013.

(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 2013 were as follows:

	Number of share options				Outstanding and exercisable as at period ended 30 June 2013	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed 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
	-	15,170,000	-	-	15,170,000	18 January 2013	18 January 2013 – 17 January 2023	HK\$0.118
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

Number of share options

	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding and exercisable as at period ended 30 June 2013	Date of grant	Exercise period	Exercise price per share
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
Sub total	31,732,651	15,170,000	-	-	46,902,651			
Category 2: Employees/consultants								
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	3,575,510	-	-	-	3,575,510	14 December 2007	14 December 2007 – 13 December 2017	HK\$0.626
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
Sub total	55,165,650	-	-	-	55,165,650			
Total	86,898,301	15,170,000	-	-	102,068,301			

There were no share options cancelled, lapsed or forfeited during the six months ended 30 June 2013.

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

As at 30 June 2013, 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		248,076,441	–	248,076,441	Long	16.34%
Capital VC Limited	Beneficial owner		171,834,000	–	171,834,000	Long	11.32%
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%

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 Forrex, a corporate director of EIHI.
7. The 3% convertible bonds of the Company in the principal amount of HK\$30,750,000 was held by Forrex ("Forrex CB"), 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. Forrex is wholly and beneficially owned by Mr. Duan.

On 15 August 2012, the Company and Forrex entered into the Deed of Amendment in relation to the extension of the maturity date of the Forrex CB, the maturity date will be extended to 31 May 2016 from the original maturity date which fall due on 30 September 2012.

On 16 January 2013, Forrex who jointly controls EIHI with Grand Creation Investments Limited ("Grand Creation"), a wholly own subsidiary of the Company, has given an unconditional irrevocable undertaking (the "Undertaking") in favour of Grand Creation pursuant to which Forrex shall vest to Grand Creation all of the voting rights enjoyed by Forrex in respect of its 50% equity interest in EIHI from time to time. Upon the execution of this Undertaking, the Group has the power to govern the financial and operating policies of EIHI and considered as a non-wholly owned subsidiary of the Group thereafter.

Save as disclosed above, as at 30 June 2013, 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.

Securities transactions by Directors

The Company has established written guidelines for the required standard of dealings in securities by directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of Directors of the Company and the Directors confirmed that they have fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliance during the six months ended 30 June 2013.

Director's interests in competing business

During the period ended 30 June 2013 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 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 deathcare 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.

Arrangements to purchase shares or convertible bonds

Other than the options holdings and the convertible bonds disclosed above, at no time during the six months ended 30 June 2013 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 convertible bonds of, the Company or any other body corporate.

Compliance with corporate governance practices

The Company has adopted the Corporate Governance Code (the "CG Code") as stated in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

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 2013, 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 deviation from the code provision A2.1, separation of roles of Chairman and Chief Executive Officer pursuant to code provision A2.1 as disclosed in the section “Chairman and Chief Executive Officer”, the Company has met all the code provisions in the CG Code during the six months ended 30 June 2013.

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 Group’s unaudited result for the six months ended 30 June 2013.

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

Hong Kong, 13 August 2013

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.