



仁智
SAGE

Sage International Group Limited

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

Stock Code: 8082

Benevolence
Innovation Interim Report
2014



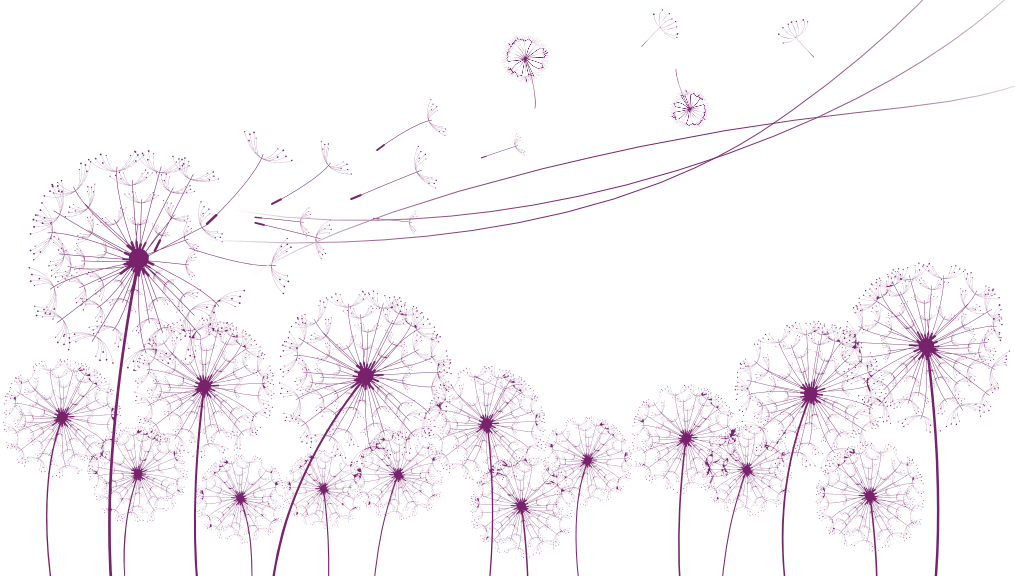
CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai 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
www.sagefuneral.com

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 2014 together with the comparative unaudited figures for the corresponding periods in 2013 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	2	10,278	8,934	23,521	16,757
Cost of sales		(5,989)	(5,633)	(13,477)	(12,436)
Gross profit		4,289	3,301	10,044	4,321
Other income	3	717	828	1,059	1,530
Gain on deemed disposal of jointly-controlled entity		–	–	–	463
Sales and marketing expenses		(2,246)	(3,569)	(4,903)	(6,319)
Administration expenses					
– Share-based payment		(73)	(421)	(159)	(1,594)
– Others		(6,913)	(12,310)	(16,884)	(21,470)
Finance costs	4	(2,980)	(2,577)	(5,411)	(3,986)
LOSS BEFORE TAXATION		(7,206)	(14,748)	(16,254)	(27,055)
Income tax credit	5	215	1,403	1,268	1,403
LOSS FOR THE PERIOD	8	(6,991)	(13,345)	(14,986)	(25,652)
Attributable to:					
Owners of the Company		(8,393)	(10,905)	(17,247)	(23,168)
Non-controlling interests		1,402	(2,440)	2,261	(2,484)
		(6,991)	(13,345)	(14,986)	(25,652)
Dividend	6	–	–	–	–
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7				
Basic (HK\$ per share)					
– For loss for the period		HK\$(0.006)	HK\$(0.007)	HK\$(0.011)	HK\$(0.015)
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 2014*

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the period	(6,991)	(13,345)	(14,986)	(25,652)
Other comprehensive income:				
Exchange differences on translating foreign operations	99	968	(2,785)	597
Total comprehensive loss for the period	(6,892)	(12,377)	(17,771)	(25,055)
Attributable to:				
Owners of the Company	(8,346)	(9,870)	(19,351)	(22,494)
Non-controlling interests	1,454	(2,507)	1,580	(2,561)
	(6,892)	(12,377)	(17,771)	(25,055)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	9	50,484	51,317
Intangible assets		29,063	29,266
Cemetery assets use rights		259,155	260,092
Deposits for non-current assets		24,494	24,848
		363,196	365,523
Current assets			
Inventories	10	103,684	113,836
Prepayments, deposits and other receivables		5,143	2,505
Derivative financial instrument	11	204	583
Cash and cash equivalents		14,846	8,426
		123,877	125,350
Liabilities			
Current liabilities			
Trade payables	12	2,063	1,132
Loan from a non-controlling interest		1,259	2,535
Other payables and accruals		21,472	25,211
Deferred income		549	154
Other borrowings	13	11,970	26,843
Convertible bonds	14	18,583	–
		55,896	55,875
Net current assets			
		67,981	69,475
Total assets less current liabilities			
		431,177	434,998
Non-current liabilities			
Deferred income		2,470	2,487
Deferred income tax liabilities		81,711	83,716
Other borrowings	13	74,862	40,252
Convertible bonds	14		
– classified as share-based payment transactions		76,854	96,148
– not classified as share-based payment transactions		25,208	24,393
		261,105	246,996
Net assets			
		170,072	188,002
Equity			
Capital and reserves			
Share capital	15	3,795	3,795
Reserves		11,846	31,356
Equity attributable to owners of the Company		15,641	35,151
Non-controlling interests		154,431	152,851
		170,072	188,002

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2014*

	Attributable to owners of the Company										Total	Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Exchange reserve	Option deed	Share-based payment reserve	Warrants shares reserve	Convertible bonds equity reserve	Accumulated losses				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	-	-	-	(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	
At 1 January 2014 (audited)	3,795	117,577	31,713	25,904	19	222,528	8,495	28,609	(403,489)	35,151	152,851	188,002	
Loss for the period	-	-	-	-	-	-	-	-	(17,247)	(17,247)	2,261	(14,986)	
Other comprehensive income for the period													
Exchange differences on translation of foreign operations	-	-	-	(2,104)	-	-	-	-	-	(2,104)	(681)	(2,785)	
Equity-settled warrants shares arrangement	-	-	-	-	-	-	(159)	-	-	(159)	-	(159)	
At 30 June 2014 (unaudited)	3,795	117,577	31,713	23,800	19	222,528	8,336	28,609	(420,736)	15,641	154,431	170,072	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2014*

	Six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(10,407)	(20,386)
Net cash generated from/(used in) investing activities	(771)	1,400
Net cash generated from financing activities	18,460	22,198
Net increase in cash and cash equivalents	7,282	3,212
Cash and cash equivalents at the beginning of the reporting period	8,426	11,545
Effects of foreign exchange rate change	(862)	(195)
Cash and cash equivalents at the end of the reporting period	14,846	14,562
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	14,846	14,562

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

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 2013 ("2013 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 2013 Annual Report, except for the adoption of new and revised HKFRSs which are effective for the Group's financial year beginning on 1 January 2014. The adoption of these new and revised HKFRSs has no material effect on the Interim Results.

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

2. 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 cremation 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 2014 are as follows:

	Mainland China HK\$'000 (Unaudited)	Hong Kong HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:			
Sales to external customers	21,559	1,962	23,521
Operating profit/(loss)	1,126	(2,691)	(1,565)
Unallocated corporate expenses, net			(9,278)
Finance costs			(5,411)
Loss before taxation			(16,254)

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)

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

	Three months ended 30 June		Three months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Sales of interments right and related products	7,341	4,027	17,152	6,922
Rendering of funeral and cremation services	2,900	4,857	6,299	9,767
Management service	37	50	70	68
	10,278	8,934	23,521	16,757

3. OTHER INCOME

An analysis of the other income is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Rental income	–	246	–	492
Fair value change on financial instruments	332	–	332	–
Sundry income	385	582	727	1,038
	717	828	1,059	1,530

Note: Fair value change on financial instruments consisted of fair value loss on derivative financial instrument of HK\$379,766 and fair value gain on convertible bonds classified as share-based payment transactions of HK\$711,720.

4. FINANCE COSTS

An analysis of the finance costs is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interests on:				
– Other borrowings wholly repayable within five years	1,601	1,253	3,022	1,253
– Other borrowings wholly repayable after five years	479	440	963	965
– Convertible bonds	900	884	1,426	1,768
	2,980	2,577	5,411	3,986

5. INCOME TAX CREDIT

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Deferred income tax	215	1,403	1,268	1,403
Income tax credit	215	1,403	1,268	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 2014 (for the period ended 30 June 2013: 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 2013: no assessable profits). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. 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 2014 (30 June 2013: 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 2014 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 (2013: 1,517,837,994 and 1,517,837,994 respectively) in issue during the period.

No diluted loss per share has been calculated for both periods ended 30 June 2014 and 30 June 2013 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	
	2014	2013	2014	2013
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Loss				
Loss attributable to owners of the Company used in the basic loss per share calculation:	(8,393)	(10,905)	(17,247)	(23,168)
	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(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	1,517,837,994	1,517,837,994	1,517,837,994
Weighted average number of ordinary shares used in the diluted loss per share calculation	N/A	N/A	N/A	N/A

8. LOSS FOR THE PERIOD

Loss for the period is stated after charging the following:

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Cost of inventories recognised as expense				
– cemetery assets use rights	1,060	3,609	5,547	5,829
– cemetery merchandises	1,643	1,122	2,623	1,703
– impairment of cemetery assets use rights	2,327	–	2,327	–
Employees benefits expenses	1,831	4,566	5,848	11,446
Depreciation of property, plant and equipment	812	1,756	1,604	2,685
Equity-settled warrant shares expenses for employee	73	229	159	457
Minimum lease payments under operating leases in respect of land and buildings	542	890	1,697	1,945

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group has additions of approximately HK\$771,000 (2013: HK\$33,616,000) and do not have any material disposal during the period.

10. INVENTORIES

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within normal operating cycle included under current assets	103,684	113,836
Amount comprised:		
Construction cost and cemetery related merchandises	6,318	6,036
Cemetery assets use rights	97,366	107,800
	103,684	113,836

11. DERIVATIVE FINANCIAL INSTRUMENT

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Derivative asset arising from CB2.2	204	583

This represents the derivative asset arising from the issuance of CB 2.2. The maximum exposure to credit risk at the reporting date is the fair value of the derivative asset in the statement of financial position.

12. TRADE PAYABLES

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

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0 – 30 days	152	922
31 – 60 days	128	5
Over 60 days	1,783	1,213
	2,063	2,140

13. OTHER BORROWINGS

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Loan from local government (<i>Note i</i>)	32,706	31,969
Loan from a director (<i>Note ii</i>)	10,000	20,000
Loan from a non-controlling interest (<i>Note iii</i>)	10,126	10,126
Loan from independent third parties (<i>Note iv</i>)	34,000	5,000
Less non-current portion	(74,862)	(40,252)
Current portion	11,970	26,843

Notes:

- (i) Prior to the Group's acquisition of 50% interest in EIHI, a loan from local government, was provided to EIHI with an amount of RMB37,436,000 (equivalent to HK\$43,590,000). Such loan is non-interest bearing, secured by the shares of EIHI and the subsidiary of EIHI and fully repayable in December 2020 by annual installments. The amount was initially recognized at fair value of approximately HK\$29,287,000, determined using cash flows discounted at an effective interest rate of 5.94% for year 2009 and 2010. Subsequent to the Group's acquisition of 50% interest in EIHI, an additional loan of RMB2,220,000 (equivalent to HK\$2,590,000) with the same terms was provided to EIHI. The fair value of this additional loan was initially recognised at HK\$1,476,000 determined using cash flows discounted at an effective interest rate of 6.4% for year 2011. The loans were stated at fair value at inception and subsequently carried at amortised cost with effective interest rate of 5.94% and 6.4% respectively.
- (ii) Loan from a director is unsecured, interest bearing at 19% per annum and repayable on 31 December 2015.
- (iii) Loan from a non-controlling interest is unsecured, non-interest bearing and not repayable within twelve months from 31 December 2013.
- (iv) Loans from independent third parties are unsecured, interest bearing at 12% and 15% per annum and repayable on 31 December 2015 and 10 March 2016 respectively.

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 2013. 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 2013, 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 2013, the Company entered into the Deed of Amendment in relation to extend the maturity date of CB2.2 from 30 September 2013 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 2013. 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 2013.

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 2013. 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 component of the convertible bonds for the period is set out below:

Date of issue	CB1	CB3	
Maturity date	23.06.2010	23.05.2011	Total
	HK\$'000	HK\$'000	HK\$'000
Liability component at 1 January 2014 (audited)	19,097	77,051	96,148
Fair value changes of convertible bonds	(514)	(197)	(711)
Liability component at 30 June 2014 (unaudited)	18,583	76,854	95,437

(b) Convertible bond

Date of issue	CB2.2
Maturity date	26.10.2010
	31.05.2016
	HK\$'000
Liability component at 1 January 2013 (audited)	22,062
Interest expense	3,253
Interest accrued	(922)
Liability component at 31 December 2013 (audited)	24,393
Interest expenses	1,276
Interest accrued	(461)
Liability component at 30 June 2014 (unaudited)	25,208

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 2014 and 30 June 2014	32,000,000	80,000
Issued and fully paid:		
Ordinary shares of HK\$0.0025 each at 1 January 2014 and 30 June 2014	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	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Rental expense paid to: – a director of the Company	250	250	500	475
Interest on: – Loan from a director of the Company (Note (i))	669	1,251	1,619	1,251
– 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
	975	1,557	2,230	1,862
Remuneration of directors of the Group: – Short-term benefits	564	1,620	1,801	3,223
– Share-based payment	–	–	–	763
	564	1,620	1,801	3,986

Notes:

- (i) For the six months ended 30 June 2014, 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. The interest rates were 19% per annum.
- (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 EIHI, 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 2014, the total revenue of the Group increased by 40.37% to approximately HK\$23,521,000 (six months ended 30 June 2013: HK\$16,757,000). The increase in revenue was mainly attributed by the increase in revenue of Suzhou Cemeteries from sales of burial plots during the period. Revenue from Suzhou was approximately HK\$17,019,000 (six months ended 30 June 2013: HK\$6,957,000) and was 144.63% increase from last corresponding period. Revenue from crematorium in Huaiji was approximately HK\$4,337,000 (six months ended 30 June 2013: HK\$3,844,000) and was 12.83% higher than that of last corresponding period. The revenue of Hong Kong funeral services decreased during the period to approximately HK\$1,962,000 (six months ended 30 June 2013: HK\$5,923,000).

The Group's overall gross profit margin for the period was approximately 42.70% and increased as compared with that of last corresponding period of 25.79%. The increase in margin was mainly due to improved performance of Suzhou cemetery and the effect of a reduction of annual amortization of Suzhou Cemetery assets use right following a significant impairment of this right as at 31 December 2013.

The Group's loss for the period was approximately HK\$14,986,000 and was 41.58% less than that of last corresponding period of HK\$25,652,000. The reason for such reduction in loss was mainly due to the effect of the cost control measures implemented during the first half of 2014. Moreover, increase in contribution from sales in Suzhou Cemetery operation also improved the profit contribution to the Group.

Sales and marketing expenses

Sales and marketing expenses for the current six months was approximately HK\$4,903,000, which was 22.41% less than last corresponding period of approximately HK\$6,319,000. After the previous years intense marketing effort at setting up stage, the Group was able to reduce significantly its corporate marketing activities during the period and resulted in reduction in such expenses. Moreover, less commissions were paid in Hong Kong funeral services business to external agents because more internally generated sales from business network developed were derived for funeral cases.

Administrative expenses

Administration expenses for the current six months was approximately HK\$17,043,000, which was 26.11% less than that of corresponding period of approximately HK\$23,064,000. The decrease was mainly attributed by the cost reduction measures implemented during the period which include the reduction of rental expenses, directors salaries and staff costs.

Finance costs

Finance costs for the current six months is approximately HK\$5,411,000, which was 35.75% more than that of the last corresponding period of HK\$3,986,000. The increase in the finance costs was a result of the additional borrowing incurred by the Group during the period.

Operation Review – Hong Kong

Funeral services and pre-planning funeral arrangement

During the six months ended 30 June 2014, Hong Kong funeral services recorded a revenue of approximately HK\$1,962,000 and had a 66.87% decrease as compared with the corresponding period in 2013. The decrease was a result of the gradual shift of the agency referral business to self network generated business in the funeral cases. This shift started in early 2014 and a more profitable margin was expected because less agency commission was necessary. Following this change, marketing and promotion efforts were focused on network collaboration and on-line marketing. The Group expects the benefits of such marketing activities should become more prominent and could bring in more business opportunities during the second half of the year and thereafter. During the period, revenues were mainly generated from sales of funeral packages and also the newly developed product, Sage Eternity Gem ("EGEM"), the transformation of cremated ash into durable memorial gem stone. Sales of EGEM has been increased as a result of the cooperation between the Group and a major operator of funeral home in Singapore and certain pet shops in Hong Kong. Revenue of EGEM increased by approximately 72% as compared with that of the first quarter in 2014. Following the recent government's new proposed policy on regulating columbarium in Hong Kong, green burial will becoming more and more popular. Therefore, the Group believes that the demand for converting human ash into GEM stone will be a popular alternative to traditional burial for memorial of one's beloved.

During the period, the Group also conducted a number of other marketing and networking activities. These included talks and presentation on life education to community and non-profit organization to promote preneed, modern funeral planning and green burial. Preparation works were carried out for the Senior Expo and Asia Funeral Expo which were held in early July 2014. Cooperation with financial planner and other insurance agents were underway to expand the group's distribution network.

Operation Review – China

Cemeteries

Suzhou Cemetery

The financial performance of Suzhou Cemetery for the current period was in line with the Group's expectation and business operation was expanding gradually. Revenue of Suzhou Cemetery for the current period was approximately HK\$17,019,000 and shows an increase of 144.63% as compared with last year corresponding period. The increase was mainly attributed to the successful expansion of local distribution network in Suzhou and nearby region and effect on improvement of sales and marketing skills of sales team deployed recently. The selling price of burial plots of Suzhou Cemetery also improved gradually since the beginning of 2014 because of the ongoing promotion and brand building activities. Based on the current circumstances, the Group expected the performance of Suzhou Cemetery should also be satisfactory in the second half of the year. Promotion and advertising in Shanghai will be launched and arrangement for site visit will also be implemented accordingly.

Huaiji Cemetery

On the other hand, the performance of Huaiji Cemetery was not satisfactory and sales did not reach the original budget during the period. Revenue of Huaiji Cemetery for the six month period was approximately HK\$204,000. As a result, an impairment on Cemetery Asset Use Right of approximately HK\$2,327,000 was considered necessary and made during the current period. The Group will consider additional promotion works to boost the sales in the second half.

Bijie Cemetery

The cemetery was still under the development stage during the period and no significant improvement in the construction work is done because of tightening of local policy in Bijie since last year. Since the last quarter, negotiation was still on progress with local authority for certain cemetery operation and land approval. The management will try to negotiate on speeding up the progress.

Funeral services

Huaiji Funeral Parlour

Cremation business operation in Huaiji was performing steadily in the current period and revenue during the period was approximately HK\$4,337,000. A 12.83% increase as compared with last year corresponding period of approximately HK\$3,844,000. Profit margin showed a decrease of 10.84%. In order to maintain a high quality of service, the Group will put forward plans to improve the repair and maintenance works in the second half of the year.

Prospects

The Group is still optimistic in the deathcare business in the region because of the ageing of population and growth in wealth of peoples in the region. The board is pleased to see the benefits of the cost reduction measures were reflected in the three months period ended 30 June 2014. Together with the continuing streamlining of the business model and new revenue sources, the Group foresees the operating results should be improving during the second half of 2014. Meanwhile, in order to relieve the Group's current financial burden on certain high-interest rate loans, the Company proposed a very substantial disposal on 2 April 2014 ("VSD") for the disposal of all the cemetery assets of the Group with an objective to deleverage the Group's current borrowing (please refer to the announcement of the Company dated 13 June 2014). The Transaction is still under process and the Company will inform its shareholders on a timely basis in accordance with relevant listing rules and regulations. Under the current circumstances, the expected time for completion of such transaction will be estimated to be within the second half of the year.

Liquidity and financial resources

As at 30 June 2014, the Group has cash and bank balances of approximately HK\$14,846,000 (31 December 2013: HK\$8,426,000) and the total assets of the Group were HK\$487,073,000 (31 December 2013: HK\$490,873,000). The net current assets of the Group were HK\$67,981,000 (31 December 2013: HK\$69,475,000) and the current ratio, which represented the current assets over the current liabilities, is 2.22 times (31 December 2013: 2.24 times). The gearing ratio of the Group as at 30 June 2014 (as calculated by the total interest bearing debts of HK\$86,832,000 over equity attributable to the owners of the Company of HK\$15,641,000 is 555.16% (31 December 2013: 198.85%).

Overall speaking, the financial position of the Group is becoming less favorable due to operating loss over the past few years and, therefore, new borrowings were secured by the Group previously for financing its working capital requirement.

For all these reasons, the Company has proposed various streamlining measures to reduce its operating costs and put forward the VSD in order to restore its financial position to a more healthy status.

Investment position and planning

The Group will continue to identify potential funeral services related investment opportunities to enhance its funeral distribution network and product portfolio.

Investment held and material acquisition and disposals

Save as disclosed above, there were no investment held and material acquisition and disposals as at 30 June 2014.

Currency risk exposure

As at 30 June 2014, 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 2014, the Group had 70 (six months ended 30 June 2013: 115) employees, including Directors. Total staff costs for the six months ended 30 June 2014, including Directors' remuneration, amounted to approximately HK\$6,007,000 (six months ended 30 June 2013: HK\$11,446,000). The Group's employment and remuneration policies remained the same as detailed in the year ended 31 December 2013 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 2014.

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

As at 30 June 2014, 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%
	Party 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 an initial conversion price of HK\$0.04 per share and subsequently adjusted to 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 2014.

(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 2014 were as follows:

	Number of share options				Outstanding and exercisable as at 30 June 2014	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2014	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
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	46,902,651	-	-	-	46,902,651			

	Number of share options				Outstanding and exercisable as at period ended 30 June 2014	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period				
<i>Category 2: Employees/consultants</i>								
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	102,068,301	-	-	-	102,068,301			

There were no share options cancelled, lapsed or forfeited during the six months ended 30 June 2014.

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

As at 30 June 2014, 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%
	Party 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%
Ms. Ma Pun Sai, Betsy	Beneficial owner		46,968,000	44,928,005	91,896,005	Long	6.05%

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 an initial conversion price of HK\$0.04 per share and subsequently adjusted to 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"). AXA and Mr. Chui are parties acting in concert. Pursuant to a subscription agreement dated 14 March 2011 (as supplemented by the supplemental agreement), AXA agreed to subscribe for the convertible bonds in the principal amount of US\$12,500,000 (equivalent to approximately HK\$97,175,000) to be issued by the Company at an initial conversion price of HK\$0.787 per share and subsequently adjusted to HK\$0.161 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 shares, 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 into between AXA and New Brilliant, pursuant to which AXA Direct was required to sell to New Brilliant the convertible bonds up to a 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 a maximum principal amount of US\$3,125,000 that was 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 Era Investment (Holding) Inc. ("EIHI"), which is classified as a subsidiary of the Company for the year ended 31 December 2013.
7. The 3% convertible bond of the Company in the principal amount of HK\$30,750,000 was held by Forrex ("Forrex CB"), which is convertible into 159,326,424 shares at the 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. Forrex is a corporate director of Era Investment (Holding) Inc. ("EIHI"), which classified as a subsidiary of the Company for the year ended 31 December 2013.

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 2014, 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 2014.

Director's interests in competing business

During the period ended 30 June 2014 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 2014 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 2014, 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 2014.

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 2014.

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

Hong Kong, 14 August 2014

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.