



Sage International Group Limited

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

Stock Code: 8082

Benevolence
Innovation Third Quarterly
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.

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

Mr. Jip Ki Chi

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 nine months ended 30 September 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 nine months ended 30 September 2014

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	2	7,388	10,222	30,909	26,980
Cost of sales					
– Impairment loss on cemetery assets use rights		–	(83,313)	(3,102)	(83,313)
– Others		(4,947)	(5,709)	(15,322)	(18,145)
Gross profit/(loss)		2,441	(78,800)	12,485	(74,478)
Other income	3	227	669	1,286	2,199
Gain on deemed disposal of jointly-controlled entity		–	–	–	463
Sales and marketing expenses		(1,971)	(3,049)	(6,874)	(9,369)
Administration expenses					
Share-based payment		(73)	(211)	(232)	(1,804)
Others		(7,894)	(11,178)	(24,778)	(32,649)
Operating loss		(7,270)	(92,569)	(18,113)	(115,638)
Finance costs	4	(2,836)	(2,320)	(8,247)	(6,306)
LOSS BEFORE TAXATION		(10,106)	(94,889)	(26,360)	(121,944)
Income tax credit	5	1,271	21,669	2,539	23,072
LOSS FOR THE PERIOD		(8,835)	(73,220)	(23,821)	(98,872)
Attributable to:					
Owners of the Company		(8,314)	(32,393)	(25,561)	(55,561)
Non-controlling interests		(521)	(40,827)	1,740	(43,311)
		(8,835)	(73,220)	(23,821)	(98,872)
Dividend	6	–	–	–	–
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7				
Basic (HK\$ per share)					
– For loss for the period		(0.048)	(0.213)	(0.160)	(0.366)
Diluted (HK\$ per share)					
– For loss for the period		(0.048)	(0.213)	(0.160)	(0.366)

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME*For the three months and nine months ended 30 September 2014*

	Three months ended 30 September		Nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the period	(8,835)	(73,220)	(23,821)	(98,872)
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	571	(315)	(2,214)	282
Total comprehensive loss for the period	(8,264)	(73,535)	(26,035)	(98,590)
Attributable to:				
Owners of the Company	(7,946)	(32,608)	(27,297)	(55,102)
Non-controlling interests	(318)	(40,927)	1,262	(43,488)
	(8,264)	(73,535)	(26,035)	(98,590)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the nine months ended 30 September 2014*

	Attributable to owners of the Company										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	Total		
	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)
As 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	-	-	-	-	-	-	-	-	(55,561)	(55,561)	(43,311)	(98,872)
Other comprehensive loss for the period												
Exchange differences on translation of foreign operations	-	-	-	459	-	-	-	-	-	459	(177)	282
Total comprehensive loss for the period	-	-	-	459	-	-	-	-	(55,561)	(55,102)	(43,488)	(98,590)
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 warrant shares arrangement	-	-	-	-	-	-	1,041	-	-	1,041	-	1,041
At 30 September 2013 (unaudited)	3,795	117,577	31,713	18,697	19	222,529	8,321	28,609	(333,035)	98,225	231,073	329,298
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	-	-	-	-	-	-	-	-	(25,561)	(25,561)	1,740	(23,821)
Other comprehensive loss for the period												
Exchange differences on translation of foreign operations	-	-	-	(1,736)	-	-	-	-	-	(1,736)	(478)	(2,214)
Total comprehensive loss for the period	-	-	-	(1,736)	-	-	-	-	(25,561)	(27,297)	1,262	(26,035)
Issue of shares for placing	646	10,726	-	-	-	-	-	-	-	11,372	-	11,372
Share issue expenses	-	(115)	-	-	-	-	-	-	-	(115)	-	(115)
Incorporation of a new subsidiary	-	-	-	-	-	-	-	-	-	-	31	31
Equity-settled warrant shares arrangement	-	-	-	-	-	-	232	-	-	232	-	232
At 30 September 2014 (unaudited)	4,441	128,188	31,713	24,168	19	222,528	8,727	28,609	(429,050)	19,343	154,144	173,487

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards 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").

These 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 unaudited condensed consolidated financial statements are consistent with those used in the Company's 2013 Annual Report.

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

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

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

2. 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 nine months ended 30 September 2014 are as follows:

	Mainland China HK\$'000 (Unaudited)	Hong Kong HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:			
Sales to external customers	28,155	2,754	30,909
Operating profit/(loss)	2,548	(4,428)	(1,880)
Impairment loss on cemetery assets use rights (note)	(3,102)	–	(3,102)
Unallocated corporate expenses, net			(13,131)
Finance costs			(8,247)
Loss before taxation			(26,360)

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

	Mainland China HK\$'000 (Unaudited)	Hong Kong HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:			
Sales to external customers	17,530	9,450	26,980
Operating loss	(4,963)	(5,522)	(10,485)
Impairment loss on cemetery assets use rights (note)	(83,313)	–	(83,313)
Unallocated corporate expenses, net			(21,840)
Finance costs			(6,306)
Loss before taxation			(121,944)

Note: During the nine months period ended 30 September 2014, the Group has recognized an impairment loss of approximately HK\$3,102,000 (30 September 2013: HK\$83,313,000) in relation to the cemetery assets use rights arising from the acquisition of Luck Point Investments Limited and its subsidiary for the nine months ended 30 September 2014, Era Investment (Holding) Inc. and its subsidiary for the nine months ended 30 September 2013, the cash generating unit ("CGU"). The impairment loss was made mainly due to actual net cash flows flowing from the cemetery assets use rights that are less than those budgeted.

The recoverable amount of the CGU has been determined based on the higher of its fair value less cost to sell and its value in use. The value in use calculation undertaken requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the future cash flows are less than expected or due to changes in estimates, a material impairment loss may arise.

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

	Three months ended 30 September		Nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Sales of interments right and related products	4,757	4,890	21,909	11,812
Rendering of funeral and cremation services	2,565	5,302	8,864	15,069
Management service	66	30	136	99
	7,388	10,222	30,909	26,980

3. OTHER INCOME

An analysis of the other income is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Rental income	105	246	210	738
Sundry income	122	423	1,076	1,461
	227	669	1,286	2,199

4. FINANCE COSTS

An analysis of the finance costs is as follows:

	Three months ended 30 September 2014		Nine months ended 30 September 2014	
	HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interests on:				
– Other borrowings wholly repayable within five years	(1,455)	(949)	(4,477)	(2,202)
– Other borrowings wholly repayable after five years	(480)	(487)	(1,443)	(1,452)
– Convertible bonds	(901)	(884)	(2,327)	(2,652)
	(2,836)	(2,320)	(8,247)	(6,306)

5. INCOME TAX CREDIT

	Three months ended 30 September 2014		Nine months ended 30 September 2014	
	HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current income tax	–	–	(116)	–
Deferred income tax	1,271	21,669	2,655	23,072
Income tax credit	1,271	21,669	2,539	23,072

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 September 2014 (30 September 2013: 16.5%).

The PRC subsidiaries are subject to the PRC corporate income tax at 25% for current period and last corresponding period. The provision for the PRC corporate income tax has been made on the assessable profits generated in the PRC for the period ended 30 September 2014 and no provision for the PRC corporate income tax has been made for the period ended 30 September 2013. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

6. DIVIDEND

The Directors do not recommend the payment of dividend nor transfer of any amount to reserves for the nine months period ended 30 September 2014 (30 September 2013: nil).

7. LOSS PER SHARE

The calculation of basic loss per share amount is based on the loss for the three months and nine months periods ended 30 September 2014 attributable to owners of the Company, and the weighted average number of ordinary shares of 174,819,560 and 159,546,766 respectively (30 September 2013: 151,783,799 (restated) and 151,783,799 (restated) respectively) in issue during the period.

No diluted loss per share has been calculated for both periods ended 30 September 2014 and 30 September 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		Nine months ended	
	30 September 2014	2013	30 September 2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss				
Loss attributable to owners of the Company used in the basic loss per share calculation:	(8,314)	(32,393)	(25,561)	(55,561)
Interest on convertible bonds	901	884	2,327	2,652
Loss attributable to owners of the Company before interest on convertible bonds	(7,413)	(31,509)	(23,234)	(52,909)
	Three months ended		Nine months ended	
	30 September 2014	2013	30 September 2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Unaudited)	and restated)	(Unaudited)	and restated)
Number of shares				
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	174,819,560	151,783,799	159,546,766	151,783,799

Note: The weighted average number of ordinary shares for the three and nine months period ended 30 September 2013 were adjusted for the effect of share consolidation on 29 August 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and operation review

For the nine months ended 30 September 2014, the total revenue of the Group increased by 14.56% to approximately HK\$30,909,000 (nine months ended 30 September 2013: HK\$26,980,000). The increase in revenue was mainly attributed by the increase in revenue of Suzhou Cemetery from sales of burial plots during the period. Revenue from Suzhou was approximately HK\$21,762,000 (nine months ended 30 September 2013: HK\$10,585,000) and was 105.59% increase from last corresponding period. Revenue from crematorium in Huaiji was approximately HK\$6,140,000 (nine months ended 30 September 2013: HK\$5,661,000) and was 8.46% higher than that of last corresponding period. The revenue of Hong Kong funeral services decreased during the period to approximately HK\$2,754,000 (nine months ended 30 September 2013: HK\$9,450,000).

The Group's overall gross profit margin for the period was approximately 40.39% and increased as compared with that of last year corresponding period of negative 276.05%. The increase in margin was mainly due to improved performance of Suzhou cemetery and the effect of an impairment loss of approximately HK\$83,313,000 on the cemetery asset use right, an intangible asset of Suzhou Cemetery in last corresponding period. If the impairment loss was excluded for both periods, the gross profit margin would become approximately 50.43% and 32.75% for the periods ended 30 September 2014 and 30 September 2013 respectively. The Group's loss for the period was approximately HK\$23,821,000 and was 75.91% less than that of last corresponding period of HK\$98,872,000. The reasons for such reduction in loss include (i) the effect of the cost control measures implemented during the first half of 2014; (ii) increase in contribution from sales in Suzhou Cemetery operation and (iii) the inclusion of an impairment loss of approximately HK\$83 million of Suzhou Cemetery in last corresponding period as discussed above.

Sales and marketing expenses

Sales and marketing expenses for the current nine months was approximately HK\$6,874,000, which was 26.63% less than last corresponding period of approximately HK\$9,369,000. After the previous year's 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 commission was 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 nine months was approximately HK\$25,010,000, which was 27.41% less than that of last corresponding period of approximately HK\$34,453,000. The decrease was mainly attributed by the cost reduction measures implemented during the period which include the reduction of rental expenses, directors remuneration and staff costs.

Finance costs

Finance costs for the current nine months is approximately HK\$8,247,000, which was 30.78% more than that of the last corresponding period of HK\$6,306,000. 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 nine months ended 30 September 2014, Hong Kong funeral services recorded a revenue of approximately HK\$2,754,000 and had a 70.86% decrease as compared with the last 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 in the foreseeable future. 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 have been increased as a result of certain local promotion programmes, cooperation between the Group and a major operator of funeral home in Singapore and certain pet shops in Hong Kong. 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, EGEM 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. Recently, we had also signed agreement with a major local financial services group to promote and distribute our tailored funeral services through its well developed 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\$21,762,000 and shows an increase of 105.59% as compared with last 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 remaining of the year.

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 nine months period was approximately HK\$254,000. As a result, an impairment on cemetery asset use right of approximately HK\$3,102,000 was considered necessary and made during the current period. The Group will consider additional promotion works to boost the sales in the remaining part of the year.

Bijie Cemetery

The cemetery was still under the development stage during the period and 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\$6,140,000, an 8.46% increase as compared with last corresponding period of approximately HK\$5,661,000. In order to maintain a high quality of service, the Group will put forward plans to improve the repair and maintenance works in the remaining part 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 nine months period ended 30 September 2014. Together with the continuing streamlining of the business model and new revenue sources, the Group foresees the operating results should be improving for the coming years. 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 around the end of the year.

Currency risk exposure

As at 30 September 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 September 2014, the Group had 131 (nine months ended 30 September 2013: 112) employees, including Directors. Total staff costs for the nine months ended 30 September 2014, including Directors' remuneration, amounted to approximately HK\$14,011,000 (nine months ended 30 September 2013: HK\$17,849,000). 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 September 2014.

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

As at 30 September 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	18,359,400	99,052,756	117,412,156	66.10%
	Personal	2	600	983,265	983,865	0.55%
	Person acting in concert	3	–	67,063,904	67,063,904	37.76%
			18,360,000	167,099,925	185,459,925	104.41%
Mr. Kwok Kwan Hung	Personal	4	66,000	3,349,446	3,415,446	1.92%
Mr. Law Yee Man, Thomas	Personal	4	40,000	111,734	151,734	0.09%
Mr. Chan Wai Man	Personal	4	27,000	134,080	161,080	0.09%
Mr. Siu Hi Lam, Alick	Personal	4	–	111,734	111,734	0.06%

Notes:

1. New Brilliant Investments Limited ("New Brilliant") was interested in 18,359,400 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 HK\$0.04 per share and subsequently adjusted to HK\$0.38 per share. Accordingly, New Brilliant was interested in 52,631,578 underlying shares of the Company derived from the convertible bonds. New Brilliant was also interested in 46,421,178 shares under a call option deed and put option deed entered into with AXA. New Brilliant is wholly and beneficially owned by Mr. Chui, an executive Director of the Company.
2. Mr. Chui had a personal interest in 600 shares and 983,265 underlying shares of the Company. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 983,265 shares at adjusted exercise price of HK\$4.47 per share.
3. Mr. Chui was deemed to be interested in 61,894,904 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 and 5,169,000 underlying shares pursuant to an undertaking entered into between AXA and Mr. Chui.
4. For details of the underlying shares, please refer to the next section headed "share options" which stated all the details of share options granted to Directors.

(B) Warrants

Name	Capacity	Number of adjusted warrants held	Number of adjusted underlying shares
Mr. Richard Andrew Connell	Beneficial owner	7,578,947	7,578,947
Ms. Ma Pun Sai, Betsy	Beneficial owner	5,500,000	5,500,000

Save as disclosed above and in the following section "Share options", none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 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 September 2014 were as follow:

	Number of share options				Adjusted outstanding and exercisable as at 30 September 2014	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period				
Category 1: Directors								
Mr. Chui	983,265	-	-	-	983,265	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.47
Mr. Kwok Kwan Hung	35,755	-	-	-	35,755	15 February 2008	15 February 2008 – 14 February 2018	HK\$7.38
	111,734	-	-	-	111,734	7 July 2010	7 July 2010 – 6 July 2020	HK\$1.91
	143,020	-	-	-	143,020	12 August 2010	12 August 2010 – 11 August 2020	HK\$5.26
	424,591	-	-	-	424,591	3 December 2010	3 December 2010 – 2 December 2020	HK\$4.77
	1,117,346	-	-	-	1,117,346	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54
	1,517,000	-	-	-	1,517,000	18 January 2013	18 January 2013 – 17 January 2023	HK\$1.18
Mr. Chan Wai Man	22,346	-	-	-	22,346	15 February 2008	15 February 2008 – 14 February 2018	HK\$7.38
	111,734	-	-	-	111,734	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54
Mr. Law Yee Man, Thomas	44,693	-	-	-	44,693	12 August 2011	12 August 2011 – 11 August 2021	HK\$3.92
	67,040	-	-	-	67,040	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54
Mr. Siu Hi Lam, Alick	111,734	-	-	-	111,734	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.54
Sub total	4,690,258	-	-	-	4,690,258			

	Number of share options				Adjusted outstanding and exercisable as at period ended 30 September 2014	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted 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	1,273,773	-	-	-	1,273,773	7 July 2010	7 July 2010 – 6 July 2020	HK\$1.91
Employees	960,917	-	-	-	960,917	9 September 2010	9 September 2010 – 8 September 2020	HK\$5.13
Employees	715,101	-	-	-	715,101	13 September 2010	13 September 2010 – 12 September 2020	HK\$4.79
Employees	581,020	-	-	-	581,020	3 December 2010	3 December 2010 – 2 December 2020	HK\$4.77
Consultant	357,551	-	-	-	357,551	14 December 2007	14 December 2007 – 13 December 2017	HK\$6.26
Consultant	518,448	-	-	-	518,448	12 August 2010	12 August 2010 – 11 August 2020	HK\$5.26
Consultant	126,483	-	-	-	126,483	6 September 2010	6 September 2010 – 5 September 2020	HK\$4.43
Consultant	983,265	-	-	-	983,265	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.47
Sub total	5,516,558	-	-	-	5,516,558			
Total	10,206,816	-	-	-	10,206,816			

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

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

As at nine months ended 30 September 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 Securities and Futures Ordinance (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
Mr. Chui	Interest of a controlled corporation	1	18,359,400	99,052,756	117,412,156	Long	66.10%
	Personal	2	600	983,265	983,865	Long	0.55%
	Person acting in concert	3	–	67,063,904	67,063,904	Long	37.76%
			18,360,000	167,099,925	185,459,925		104.41%
New Brilliant	Beneficial owner	1	18,359,400	99,052,756	117,412,156	Long	66.10%
AXA PE Asia Manager Limited	Beneficial owner	3	–	61,894,904	61,894,904	Long	34.85%
	Person acting in concert	3	–	5,169,000	5,169,000	Long	2.91%
			–	67,063,904	67,063,904		37.76%
		4	–	46,421,178	46,421,178	Short	26.13%
MM3 International Limited	Beneficial owner	5	10,000,000	–	10,000,000	Long	5.63%
Forrex (Holding) Inc. ("Forrex")	Beneficial owner	6	–	16,356,638	16,356,638	Long	9.21%
Mr. Luwen Kevin Duan ("Mr. Duan")	Interest of controlled corporations	5 and 6	10,000,000	16,356,638	26,356,638	Long	14.84%
Mr. Ho Sai Lon Mark	Beneficial owner		24,807,644	–	24,807,644	Long	13.97%
Ms. Ma Pun Sai, Betsy	Beneficial owner		4,696,800	5,500,000	10,196,800	Long	5.74%

Notes:

1. New Brilliant was interested in 18,359,400 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\$0.38 per share. Accordingly, New Brilliant was interested in 52,631,578 underlying shares of the Company derived from the convertible bonds. New Brilliant was also interested in 46,421,178 shares under a call option deed and put option deed entered into with AXA. New Brilliant is wholly and beneficially owned by Mr. Chui.
2. Mr. Chui had a personal interest in 600 shares and 983,265 underlying shares of the Company. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 983,265 shares at adjusted exercise price of HK\$4.47 per share.
3. AXA PE Asia Manager Limited, a company incorporated in Jersey which is registered under the Jersey Financial Services Commission, managed the fund of 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\$1.570 per share, which represented 61,894,904 shares.

Pursuant to an undertaking (the "Chui's Undertaking") entered into between Mr. Chui and AXA on 30 June 2014, Mr. Chui undertaken in favour of AXA that, (i) if the placing agreement dated 24 June 2014 completes, and (ii) the conditional sales and purchase agreement (the "Disposal Agreement") dated 2 April 2014 terminates or lapses, Mr. Chui shall transfer to AXA, for nil consideration, 5,169,000 shares beneficially owned by him within three days after the date of such termination or lapse of the Disposal Agreement.

AXA was deemed to be interested in 67,063,904 shares, representing (i) 61,894,904 shares and pursuant to the subscription of the convertible bonds issued by the Company as mentioned in first paragraph of this note above and (ii) 5,169,000 shares underlying shares pursuant to the Chui's Undertaking.

4. A call option deed and put option deed were entered into between AXA and New Brilliant, pursuant to which AXA was required 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 a maximum principal amount US\$3,125,000 that was outstanding at the maturity date.

5. 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").
6. The 3% convertible bonds in the principal amount of HK\$30,750,000 was held by Forrex, which is convertible into 16,356,382 shares at the adjusted conversion price of HK\$1.88 per share. Forrex is wholly and beneficially owned by Mr. Duan. Forrex is a corporate director of EIHI, which classified as a subsidiary of the Company.

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 3% convertible bonds, 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, a wholly own subsidiary of the Company, has given the Forrex 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 the Forrex 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 nine months ended 30 September 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 nine months ended 30 September 2014.

Director's interests in competing business

During the nine months ended 30 September 2014, Mr. Chui, the Chairman and executive Director of the Company, has disposed the interests in the business which compete or are likely to compete, either directly or indirectly, with the business of the Group.

Mr. Chui disposed his 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 were 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2014.

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

Hong Kong, 12 November 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.