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SAGE

Sage International Group Limited

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

Stock Code: 8082

Benevolence & Innovation

Interim Report 2015

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chui Bing Sun (*Chairman*)
Mr. Dong Choi Chi, Alex
Mr. Yao Kan Shan

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. Chui Bing Sun

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. Jip Ki Chi

AUDITOR

PricewaterhouseCoopers

SOLICITOR

Michael Li & Co.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 3408, 34/F
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Perbroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

8082

CONTACT INFORMATION

Tel: +852 3755 2200
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 2015 together with the comparative unaudited figures for the corresponding periods in 2014 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2015

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)
CONTINUING OPERATIONS					
Revenue	2	3,989	2,794	7,287	6,194
Cost of sales		(2,033)	(1,365)	(3,716)	(2,980)
Gross profit		1,956	1,429	3,571	3,214
Other income	3	584	106	1,200	110
Sales and marketing expenses		(765)	(541)	(1,496)	(1,674)
Administrative expenses		(3,656)	(2,897)	(8,586)	(8,342)
Finance costs	4	-	(1,676)	(796)	(3,172)
LOSS BEFORE TAXATION	8	(1,881)	(3,579)	(6,107)	(9,864)
Income tax expense	5	(31)	(50)	(61)	(119)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(1,912)	(3,629)	(6,168)	(9,983)
DISCONTINUED OPERATIONS					
(Loss)/profit for the period from discontinued operations	9	-	(3,362)	10,341	(5,003)
(Loss)/profit for the period		(1,912)	(6,991)	4,173	(14,986)
(Loss)/profit attributable to:					
Owners of the Company		(1,942)	(8,393)	3,733	(17,247)
Non-controlling interests		30	1,402	440	2,261
		(1,912)	(6,991)	4,173	(14,986)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)
(Loss)/profit attributable to owners of the Company arises from:					
Continuing operations		(1,942)	(3,633)	(6,200)	(10,115)
Discontinued operations		-	(4,760)	9,933	(7,132)
		(1,942)	(8,393)	3,733	(17,247)
Dividend	6	-	-	-	-
(LOSS)/EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Basic (loss)/earnings per share (HK\$ per share)	7				
From continuing operations		(0.003)	(0.018)	(0.011)	(0.049)
From discontinued operations		-	(0.023)	0.018	(0.034)
From (loss)/profit for the period		(0.003)	(0.041)	0.007	(0.083)
Diluted (loss)/earnings per share (HK\$ per share)					
From continuing operations		(0.003)	(0.018)	(0.011)	(0.049)
From discontinued operations		-	(0.023)	0.018	(0.034)
From (loss)/profit for the period		(0.003)	(0.041)	0.007	(0.083)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS*For the three months and six months ended 30 June 2015*

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)
(Loss)/profit for the period	(1,912)	(6,991)	4,173	(14,986)
Other comprehensive loss:				
Exchange differences on translation of foreign operations	67	99	(2,711)	(2,785)
Release of exchange differences upon disposal of subsidiaries	-	-	(20,249)	-
Total comprehensive loss for the period	(1,845)	(6,892)	(18,787)	(17,771)
Total comprehensive loss for the period attributable to:				
Owners of the Company	(1,896)	(8,346)	(18,823)	(19,351)
Non-controlling interests	51	1,454	36	1,580
	(1,845)	(6,892)	(18,787)	(17,771)
Total comprehensive loss attributable to owners of the Company arises from:				
Continuing operations	(1,896)	(3,609)	(6,070)	(9,985)
Discontinued operations	-	(4,737)	(12,753)	(9,366)
	(1,896)	(8,346)	(18,823)	(19,351)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		11,749	12,440
Intangible assets		13,276	13,242
Deposits for non-current assets		194	210
		25,219	25,892
Current assets			
Inventories	10	218	201
Prepayments, deposits and other receivables		13,095	1,034
Cash and cash equivalents		38,027	5,897
		51,340	7,132
Assets of disposal group classified as held-for-sale		–	444,746
		51,340	451,878
Liabilities			
Current liabilities			
Trade payables	11	133	306
Other payables and accruals		2,037	14,454
Deferred income		159	158
Other borrowings	12	–	10,000
Convertible bonds – classified as share-based payment transactions		–	19,617
		2,329	44,535
Liabilities of disposal group classified as held-for-sale		–	263,212
		2,329	307,747
Net current assets			
		49,011	144,131
Total assets less current liabilities			
		74,230	170,023
Non-current liabilities			
Deferred income		1,457	1,452
Deferred income tax liabilities		2,550	2,550
Other borrowings	12	–	32,000
		4,007	36,002
Net assets			
		70,223	134,021
Equity			
Capital and reserves			
Share capital	13	17,265	4,441
Reserves		47,946	(22,888)
		65,211	(18,447)
Equity attributable to owners of the Company		65,211	(18,447)
Non-controlling interests		5,012	152,468
		70,223	134,021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	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 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 loss 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
At 1 January 2015 (audited)	4,441	128,187	31,713	23,604	19	222,528	-	28,609	(457,548)	(18,447)	152,468	134,021
Profit for the period	-	-	-	-	-	-	-	-	3,733	3,733	440	4,173
Other comprehensive loss for the period												
Exchange differences on translation of foreign operations	-	-	-	(2,307)	-	-	-	-	-	(2,307)	(404)	(2,711)
Disposal of subsidiaries	-	-	-	(20,249)	-	-	-	-	-	(20,249)	-	(20,249)
Total comprehensive loss for the period	-	-	-	(22,556)	-	-	-	-	3,733	(18,823)	36	(18,787)
Issue of shares upon placement	1,750	12,250	-	-	-	-	-	-	-	14,000	-	14,000
Share issuance costs	-	(531)	-	-	-	-	-	-	-	(531)	-	(531)
Open offer	8,881	60,514	-	-	-	-	-	-	-	69,395	-	69,395
Issue of shares for conversion of convertible bonds	2,193	39,214	-	-	-	(21,790)	-	-	-	19,617	-	19,617
Disposal of subsidiaries	-	-	-	-	-	(186,399)	-	(28,609)	215,008	-	(147,492)	(147,492)
At 30 June 2015 (unaudited)	17,265	239,634	31,713	1,048	19	14,339	-	-	(238,807)	65,211	5,012	70,223

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2015*

	Six months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Profit/(loss) before taxation including discontinued operations	4,499	(16,254)
Adjustments for:		
Depreciation of property, plant and equipment	985	1,606
Amortisation of cemetery assets use right	574	5,533
Write-off of property, plant and equipment	208	–
Loss on disposal of subsidiaries	8,595	–
Impairment loss on cemetery assets use rights	–	2,529
Equity-settled warrant shares expenses	–	159
Fair value change on financial instruments	811	(332)
Finance income	(2)	(14)
Finance costs	1,022	5,411
Income tax paid	(61)	–
Realization of exchange gain on disposal	(20,249)	–
Operating cash flow before movements of working capital	(3,618)	(1,362)
Decrease in inventories	1,539	1,066
Increase in prepayments, deposits and other receivables	(4,234)	(2,284)
(Decrease)/increase in accounts payable	(127)	931
Decrease in other payables and accruals	(15,038)	(3,739)
Increase in deferred income	5	378
Cash used in operations	(21,473)	(5,010)
Interest received	2	14
Interest paid	(509)	(5,411)
Net cash used in operating activities	(21,980)	(10,407)
Investing activities		
Purchase of property, plant and equipment	(356)	(771)
Disposal of subsidiaries	(2,968)	–
Net cash used in investing activities	(3,324)	(771)

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Financing activities		
Proceeds from open offer	69,395	–
Proceeds from placing	13,469	–
Proceeds from other borrowings	–	37,000
Repayment of loan from non-controlling interest	–	(1,276)
Repayment of other borrowings	(32,000)	(17,264)
Net cash generated from financing activities	50,864	18,460
Net increase in cash and cash equivalents	25,560	7,282
Cash and cash equivalents at beginning of the reporting period	11,767	8,426
Effect of foreign exchange rate changes, net	700	(863)
Cash and cash equivalents at the end of the reporting period	38,027	14,845
Represented by		
Cash and cash equivalents	38,027	5,495
Cash and cash equivalents included in assets classified as held for sale	–	9,350
	38,027	14,845

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2014 ("2014 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 2014 Annual Report, except for the adoption of new and revised HKFRSs which are effective for the Group's financial year beginning on 1 January 2015. 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 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.

As at 30 June 2015, the cemetery business group has been disposed and the comparative segment information has been reclassified to discontinued operation for presentation consistency.

The segment results and other segment items for the six months ended 30 June 2015 are as follows:

	Mainland China HK\$'000 (Unaudited)	Hong Kong HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:			
Sales to external customers	4,377	2,910	7,287
Operating profit/(loss)	167	(1,823)	(1,656)
Unallocated corporate expenses, net			(3,655)
Finance costs			(796)
Loss before taxation			(6,107)

The segment results and other segment items for the six months ended 30 June 2014 are as follows:

	Mainland China HK\$'000 (Unaudited and restated)	Hong Kong HK\$'000 (Unaudited and restated)	Total HK\$'000 (Unaudited and restated)
Segment revenue:			
Sales to external customers	4,337	1,857	6,194
Operating profit/(loss)	553	(2,686)	(2,133)
Unallocated corporate expenses, net			(4,559)
Finance costs			(3,172)
Loss before taxation			(9,864)

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

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)
Rendering of funeral and cremation services	3,989	2,794	7,287	6,194

3. OTHER INCOME

An analysis of the other income is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)
Rental income	105	105	210	105
Sundry income	479	1	990	5
	584	106	1,200	110

4. FINANCE COSTS

An analysis of the finance costs is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)
Interests on:				
– Other borrowings wholly repayable within five years	–	1,601	721	3,022
– Convertible bonds	–	75	75	150
	–	1,676	796	3,172

5. INCOME TAX EXPENSE

The Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

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

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

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 2015 (six months ended 30 June 2014: Nil).

7. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

On 17 February 2015, the Company issued 70,000,000 and 355,257,598 new ordinary shares through a share placement and open offer respectively. The placing price and subscription price was HK\$0.20 per share and represented a discount to the market price of the then existing shares.

On 31 March 2015, the Company issued 87,719,298 new ordinary shares upon the exercise of the conversion rights by the bondholder. The conversion price was HK\$0.228 per share and represented a discount to the market price of the then existing shares.

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and restated)
Loss from continuing operations attributable to owners of the Company	(1,942)	(3,633)	(6,200)	(10,115)
(Loss)/profit from discontinued operations attributable to owners of the Company	-	(4,760)	9,933	(7,132)
	(1,942)	(8,393)	3,733	(17,247)
Weighted average number of ordinary shares in issue (in thousand)	690,606	207,132	547,467	207,132

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

The dilutive potential ordinary shares in respect of the Company's outstanding share options are anti-dilutive for the periods ended 30 June 2015 and 30 June 2014.

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	
	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)	2015 HK\$'000	2014 HK\$'000 (Unaudited and restated)
Cost of inventories recognised as expense	1,600	929	2,855	2,127
Employees benefits expenses	2,604	1,358	5,666	5,182
Depreciation of property, plant and equipment	397	638	893	938
Equity-settled warrant shares expenses for employee	–	73	–	159
Minimum lease payments under operating leases in respect of land and buildings	225	225	1,393	647

9. DISCONTINUED OPERATIONS

On 2 April 2014, the Group entered into a sale and purchase agreement to dispose of its 100% equity interests in Reliance Death Care Services Inc. and its subsidiaries (collectively "Reliance Group"), which mainly operates cemetery business in Mainland China, to Great World Investors Limited by setting off against two convertible bonds with face values of HK\$30,750,000 (and the interest accrued thereon) and US\$12,500,000 (equivalent to approximately HK\$97,175,000) respectively, and loan from a Director of HK\$10,000,000.

As the operation of the cemetery business group is considered as a separate major line of business, it is accounted for as a discontinued operation. The comparative financial information for the six months ended 30 June 2014 has been reclassified to conform with current period presentation in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". The disposal was completed on 17 February 2015.

(a) Analysis of the result of discontinued operations is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	-	7,763	3,064	17,945
Expenses	-	(12,165)	(4,521)	(25,110)
Loss before tax of discontinued operations	-	(4,402)	(1,457)	(7,165)
Tax credit	-	1,040	144	2,162
Loss after tax of discontinued operations	-	(3,362)	(1,313)	(5,003)
Loss on disposal of subsidiaries	-	-	(8,595)	-
Realisation of exchange reserve upon disposal of subsidiaries	-	-	20,249	-
(Loss)/profit for the period from discontinued operations	-	(3,362)	10,341	(5,003)

(b) Net assets at the date of disposal were as follows:

	HK\$'000
Property, plant and equipment	37,435
Intangible assets	15,743
Cemetery assets use rights	240,022
Inventories:	
– Cemetery assets use rights	103,270
– Construction cost and cemetery related merchandises	14,248
Prepayments, deposits and other receivables	29,491
Cash and cash equivalents	2,968
	443,177
Trade payables	(1,005)
Other payables and accruals	(17,249)
Deferred income	(1,494)
Deferred income tax liabilities	(77,883)
Other borrowings	(40,124)
	(137,755)
Net assets disposed of	305,422
Non-controlling interests	(147,492)
	157,930
Less: Debt Assignment to Forrex (<i>note</i>)	(11,360)
	146,570
Less : Consideration	(137,975)
Loss on disposal of subsidiaries	(8,595)

note: The Company advanced a shareholder's loan of HK\$22,720,000 to EIHI, and EIHI, in turn, injected such amount into Suzhou Celebrities for the construction and renovation works of Suzhou Celebrities in years 2011 and 2012. Forrex, the remaining 50% shareholder of EIHI, did not make any advance to EIHI.

Since Suzhou Celebrities has been disposed of by the Company and the advance has been assigned to the Purchaser after the Disposal, after arm's length negotiation with Forrex, the Company and Forrex agreed that 50% of such amount will be taken up by Forrex as its obligation to such advance. As such, HK\$11,360,000 of such advance which was due by EIHI to the Company as at has been assigned to Forrex as the amount due to the Remaining Group pursuant to the Debt Assignment.

(c) Cash flows

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating cash flows	5,870	3,489
Investing cash flows	–	(771)
Financing cash flows	–	1,949
Total cash flows	5,870	4,667

10. INVENTORIES

	30 June 2015	31 December 2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Construction cost and cemetery related merchandises	218	201

11. TRADE PAYABLES

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

	30 June 2015	31 December 2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 – 30 days	94	60
31 – 60 days	19	8
Over 60 days	20	238
	133	306

12. OTHER BORROWINGS

	30 June 2015	31 December 2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Loan from a director (<i>Note i</i>)	–	10,000
Loan from an independent third party (<i>Note ii</i>)	–	32,000
	–	42,000
Less: non-current portion	–	(32,000)
Current portion	–	10,000

Notes:

- (i) Loan from a director is unsecured, interest bearing at 19% per annum and repayable on 31 December 2015.
- (ii) Loans from an independent third party is unsecured, interest bearing at 12% per annum and repayable on 10 March 2016.

13. SHARE CAPITAL

	<i>Notes</i>	Number of shares '000	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.025 each at 1 January 2015 and 30 June 2015		3,200,000	80,000
Issued and fully paid:			
Ordinary shares of HK\$0.025 each at 1 January 2015		177,629	4,441
Issue of shares upon placement	<i>(i)</i>	70,000	1,750
Issue of shares under open offer	<i>(i)</i>	355,258	8,881
Issue of shares for conversion of CB1	<i>(ii)</i>	87,719	2,193
Ordinary shares of HK\$0.025 each at 30 June 2015		690,606	17,265

Notes:

- (i) On 17 February 2015, the Company issued 70,000,000 and 355,257,598 new ordinary shares through a share placement and open offer respectively. The placing price and subscription price was HK\$0.20 per share and represented a discount to the market price of the then existing shares. The net proceeds of approximately HK\$13,620,000 and HK\$69,180,000 through placement of shares and open offer respectively. The new shares ranked pari passu with the then existing share in all aspects.
- (ii) On 31 March 2015, the Company issued 87,719,298 new ordinary shares upon the exercise of the conversion rights by the bondholder. The conversion price was HK\$0.228 per share and represented a discount to the market price of the then existing shares.

14. 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	
	2015	2014	2015	2014
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Management fee income from:				
– a company owned by a Director	300	–	600	–
Rental expense paid to:				
– a company owned by a Director	225	250	450	500
Interest on:				
– Loan from a Director (<i>Note (i)</i>)	–	669	205	1,619
– Convertible bonds issued to a company owned by a Director (<i>Note (ii)</i>)	75	75	150	150
– Convertible bonds issued to a non-controlling interest (<i>Note (iii)</i>)	–	231	–	461
	75	975	355	2,230
Remuneration of directors of the Group:				
– Short-term benefits	291	564	1,012	1,801

Notes:

- (i) The interest was accrued for an unsecured loan borrowed from Mr. Chui, a director of the Company, with amount of approximately HK\$10,000,000. The interest rates were 19% per annum. The loan was fully repaid on 18 February 2015.
- (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.
- (iii) The convertible bonds with principal amount of HK\$30,750,000 was issued to Forrex, which was a corporate director of EIHI, a subsidiary of the disposal group.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue and gross profits – Continuing operations

For the six months ended 30 June 2015, the total revenue of continuing operations (which mainly consists of the funeral services and crematorium) was approximately HK\$7,287,000 which was 17.65% higher than that of last year corresponding period of approximately HK\$6,194,000.

Gross profits increased from approximately HK\$3,214,000 to approximately HK\$3,571,000. The overall gross profit margin of the continuing operations for the six months ended 30 June 2015 was approximately 49.01% and decreased slightly as compared with that of last year corresponding period of approximately 51.89%.

Sales and marketing expenses – Continuing operations

Sales and marketing expenses of continuing operations for the six months ended 30 June 2015 was approximately HK\$1,496,000, which was 10.63% less than last corresponding period of approximately HK\$1,674,000. The decrease was mainly due to less commission 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 – Continuing operations

Administrative expenses of the continuing operations for the six months ended 30 June 2015 amounted to approximately HK\$8,586,000 which was in line with last year corresponding period of approximately HK\$8,342,000.

Finance costs – Continuing operations

Finance costs of the continuing operations for six months ended 30 June 2015 amounted to approximately HK\$796,000, which was 74.91% less than that of last corresponding period of approximately HK\$3,172,000. The decrease in the finance costs was a result of the pay off of all interest bearing debts by funding raised from the open offer and the placing.

Loss for the period from continuing operations

Loss for the six months ended 30 June 2015 from continuing operations amounted to approximately HK\$6,168,000 (six months ended 30 June 2014: loss of approximately HK\$9,983,000).

(Loss)/profit for the period from discontinued operations

The revenue from discontinued operations (which mainly consists of cemetery business) amounted to approximately HK\$3,064,000 for the six months ended 30 June 2015 and was 82.93% lower than that of last corresponding period of approximately HK\$17,945,000. The decrease was mainly due to the disposal of the cemetery business on 17 February 2015 such that a comparatively smaller portion of sales generated in the first half of 2015 was counted. Expenses amounted to approximately HK\$4,521,000 in the first half of 2015. Profit for the current period from discontinued operations was approximately HK\$10,341,000 (six months ended 30 June 2014: loss of approximately HK\$5,003,000), which was mainly attributable to the release of the exchange reserve to income statement of approximately HK\$20.2 million upon the disposal of the cemetery business during the current period, which was partially offset by the loss on disposal of the cemetery business of approximately HK\$8.6 million.

(Loss)/profit for the period

The Group's profit for the period was approximately HK\$4,173,000 (six months ended 30 June 2014: loss of approximately HK\$14,986,000). The main reasons for such profit were due to the inclusion of release of the exchange reserve to income statement of approximately HK\$20.2 million, which was partially offset by the loss on disposal of the cemetery business of approximately HK\$8.6 million, as well as the loss from continuing operations of approximately HK\$6.2 million as mentioned above.

Operation review

For various factors mentioned in the circular of the Company dated 31 December 2014 which caused difficulties in achieving the development plan of the Group, the Company proposed a very substantial disposal (the "VSD") on 2 April 2014 for the disposal of all the cemetery assets of the Group with an objective to deleverage the Group's current borrowing and such VSD was subsequently completed on 17 February 2015. Under the Group's accounting policies, the segment results of the Group's cemetery business (before disposal on 17 February 2015) during the period are classified as a discontinued operation. During the six months ended 30 June 2015, the Group's business operation was mainly focusing on the provision of deathcare related services. The Company has been undergoing plans to improve its cash flow situation under the following measures:

- (1) improving revenue by expanding its market and product line in local and international deathcare business through its existing network in the industry;
- (2) improving profit margin by providing more high-end products and services like Sage Eternity Gem ("EGEM") and customized funeral services; and
- (3) reducing operating costs.

Further, to ensure that the Group has sufficient working capital and net asset value after the VSD for operation of the Group's business, the Company, therefore, prior to year end 31 December 2014, entered into the Placing Agreement and the Underwriting Agreement and subsequently, on 17 February 2015, raised approximately HK\$83 million funding as equity capital for future development in deathcare business and other business opportunities that may be identified in the future.

Operation Review – Hong Kong

Funeral services, Eternity Gem and pre-planning funeral arrangement

During the six months ended 30 June 2015, the Group's Hong Kong funeral services recorded a revenue of approximately HK\$2,262,000 and was 21.81% higher than that of the corresponding period of approximately HK\$1,857,000 in 2014. The Group has been developing self-network generated business in funeral cases since early 2014. Such change has generated a relatively profitable margin because less agency commission was necessary, which was reflected in the comparatively lower sales and marketing expenses incurred during the period. Since then, marketing and promotion efforts were focused on network collaboration and on-line marketing. During the period, revenues were mainly generated from sales of funeral packages and also the newly developed product, EGEM, the transformation of cremated ash into durable memorial gem stone. EGEM gained popularity during the period and sales of EGEM increased to approximately HK\$648,000 (six months ended 30 June 2014: Nil) during the period as a result of exhibition, promotion programmes, cooperation with major local and overseas funeral service providers and pet shops. Following the recent government's new proposed policy on regulating columbarium in Hong Kong, preserving human ashes into gemstones will become more and more popular. Therefore, the Group believes that green burial will be a popular alternative to traditional burial for memorial of beloved one.

Operation Review – China

Funeral services and crematorium

Huaiji funeral parlour

Cremation business operation in Huaiji was performing steadily in the six months ended 30 June 2015 and revenue during the period was approximately HK\$4,377,000, almost in line with last year corresponding period of approximately HK\$4,337,000. In order to maintain a high quality of service, the Group had improved the repair and maintenance works during the period.

Prospects

The Group is still optimistic about the deathcare business in the region because of the ageing of population and growth in wealth of people in the region. The Board is pleased to see that the benefits of the cost reduction measures were reflected in the year ended 31 December 2014 and the first half of 2015. Together with the continuing streamlining of the business model and new revenue sources, the Group foresees the operating results should be improving in the coming years.

After the completion of the VSD and the related fund raising exercise which raised approximately HK\$83 million cash, the Group will have sufficient working capital and funding for further development in deathcare related business. With the available surplus cash, the Group will also seek other suitable investment opportunities in deathcare and other business sectors that could bring in attractive shareholder's value.

Liquidity and financial resources

As at 30 June 2015, the Group has cash and bank balances of approximately HK\$38,027,000 (31 December 2014: HK\$11,767,000) and the total assets of the Group were HK\$76,559,000 (31 December 2014: HK\$477,770,000). The net current assets of the Group were HK\$49,011,000 (31 December 2014: 144,131,000) and the current ratio, which represented the current assets over the current liabilities, is 22.04 times (31 December 2014: 1.47 times). The gearing ratio of the Group as at 30 June 2015 (as calculated by the total liabilities of HK\$6,336,000 over equity attributable to the owners of the Company of HK\$65,211,000 is 9.72% (31 December 2014: -1,863.35%).

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.

Currency risk exposure

As at 30 June 2015, 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 2015, the Group had 63 (six months ended 30 June 2014: 70) employees, including Directors. Total staff costs for the six months ended 30 June 2015, including Directors' remuneration, amounted to approximately HK\$5,666,000 (six months ended 30 June 2014: HK\$6,007,000). The Group's employment and remuneration policies remained the same as detailed in the year ended 31 December 2014 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 2015.

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

As at 30 June 2015, the interests or short positions of the Directors and chief executives in the shares, underlying shares and convertible bonds of the Company and its associated corporation, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the model code for Securities Transactions by Directors of the Company, were as follows:

Interests in shares and underlying shares of the Company

Number of ordinary shares and underlying shares beneficially held:

(A) Long positions

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	149,472,498	–	149,472,498	21.65%
	Personal	2	1,800	1,052,820	1,054,620	0.15%
			149,474,298	1,052,820	150,527,118	21.80%
Mr. Dong Choi Chi, Alex ("Mr. Dong")	Interest of a controlled corporation	3	120,000,000	–	120,000,000	17.38%
Mr. Chan Wai Man	Personal	4	27,000	143,565	170,565	0.02%
Mr. Law Yee Man, Thomas	Personal	4	–	119,636	119,636	0.02%
Mr. Siu Hi Lam, Alick	Personal	4	–	119,638	119,638	0.02%

Notes:

- These shares are held by New Brilliant Investments Limited ("New Brilliant"), a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui, an executive Director of the Company.
- Mr. Chui had a personal interest in 1,800 shares and 1,052,820 underlying shares of the Company upon the completion of open offer on 17 February 2015. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 1,052,820 shares at adjusted exercise price of HK\$4.175 per share.
- These shares are held by Heading Champion Limited a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Dong, an executive Director of the Company.
- 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) 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 2015 were as follow:

	Number of share options				Adjusted outstanding and exercisable as at 30 June 2015	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period				
Category 1: Directors								
Mr. Chui	1,052,820	-	-	-	1,052,820	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Mr. Chan Wai Man	23,927	-	-	-	23,927	15 February 2008	15 February 2008 – 14 February 2018	HK\$6.892
	119,638	-	-	-	119,638	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Mr. Law Yee Man, Thomas	47,854	-	-	-	47,854	12 August 2011	12 August 2011 – 11 August 2021	HK\$3.661
	71,782	-	-	-	71,782	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Mr. Siu Hi Lam, Alick	119,638	-	-	-	119,638	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Sub total	1,435,659	-	-	-	1,435,659			

	Number of share options				Adjusted outstanding and exercisable as at 30 June 2015	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period				
<i>Category 2: Employees/consultants</i>								
Employee	38,284	-	-	-	38,284	15 February 2008	15 February 2008 – 14 February 2018	HK\$6.892
Employees	1,387,806	-	-	-	1,387,806	7 July 2010	7 July 2010 – 6 July 2020	HK\$1.784
Employee	153,137	-	-	-	153,137	12 August 2010	12 August 2010 – 11 August 2020	HK\$4.912
Employees	1,028,891	-	-	-	1,028,891	9 September 2010	9 September 2010 – 8 September 2020	HK\$4.791
Employees	765,686	-	-	-	765,686	13 September 2010	13 September 2010 – 12 September 2020	HK\$4.474
Employees	693,903	-	-	-	693,903	3 December 2010	3 December 2010 – 2 December 2020	HK\$4.455
Employee	1,196,386	-	-	-	1,196,386	5 December 2011	5 December 2011 – 4 December 2021	HK\$2.372
Employee	1,624,311	-	-	-	1,624,311	18 January 2013	18 January 2013 – 17 January 2023	HK\$1.102
Consultant	382,843	-	-	-	382,843	14 December 2007	14 December 2007 – 13 December 2017	HK\$5.846
Consultant	555,122	-	-	-	555,122	12 August 2010	12 August 2010 – 11 August 2020	HK\$4.912
Consultant	135,430	-	-	-	135,430	6 September 2010	6 September 2010 – 5 September 2020	HK\$4.137
Consultant	1,052,820	-	-	-	1,052,820	22 March 2011	22 March 2011 – 21 March 2021	HK\$4.175
Sub total	9,014,619	-	-	-	9,014,619			
Total	10,450,278	-	-	-	10,450,278			

There were no share options cancelled, lapsed or forfeited during the six months ended 30 June 2015.

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

As at 30 June 2015, 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	Total number of shares and underlying shares		Long/short position	Percentage of interests
				Number of underlying shares	Number of underlying shares		
New Brilliant	Beneficial owner	1	149,472,498	–	149,472,498	Long	21.65%
Mr. Chui	Interested of controlled corporations	1	149,472,498	–	149,472,498	Long	21.65%
	Personal	2	1,800	1,052,820	1,054,620	Long	0.15%
			149,474,298	1,052,820	150,527,118		21.80%
Heading Champion Limited	Beneficial owner	3	120,000,000	–	120,000,000	Long	17.38%
Mr. Dong	Interested of controlled corporations	3	120,000,000	–	120,000,000	Long	17.38%
Mr. Chan Ping Che	Beneficial owner		97,390,000	–	97,390,000	Long	14.10%

Notes:

1. These shares are held by New Brilliant, a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui.
2. Mr. Chui had a personal interest in 1,800 shares and 1,052,820 underlying shares of the Company upon the completion of open offer on 17 February 2015. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 1,052,820 shares at adjusted exercise price of HK\$4.175 per share.
3. These shares are held by Heading Champion Limited, a company incorporated in the British Virgin Islands. It is wholly owned by Mr. Dong, who has been appointed as an executive Director of the Company with effect from 4 May 2015.

Save as disclosed above, as at 30 June 2015, 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 2015.

Director's interests in competing business

As at 30 June 2015, the Directors are not aware of any business or interest of each of the Directors, management shareholders (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with business of the Group or any other conflicts of interest which any such person has or may have with the Group.

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 2015 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 2015, 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 2015.

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 2015.

By order of the Board

SAGE INTERNATIONAL GROUP LIMITED

Chui Bing Sun

Chairman and executive Director

Hong Kong, 13 August 2015

As at the date of this report, the executive Directors are Mr. Chui Bing Sun, Mr. Dong Choi Chi, Alex and Mr. Yao Kan Shan; and the independent non-executive Directors are Mr. Chan Wai Man, Mr. Law Yee Man, Thomas and Mr. Siu Hi Lam, Alick.