SAGE INTERNATIONAL GROUP LIMITED
仁智國際集團有限公司

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

(Stock Code: 8082)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

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.

CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the "Directors") are pleased to announce the consolidated results of Sage International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012, together with the comparative figures for the period ended 31 December 2011 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	**Year ended 31 December 2012 HK$'000**	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated) (Note 4)
Continuing operations			
Revenue	5	**16,869**	7,132
Cost of sales		**(8,877)**	(3,190)
Gross profit		**7,992**	3,942
Other income	6a	**896**	716
Other (losses)/gains, net	6b	**(9,236)**	1,589
Sales and marketing expenses		**(4,333)**	(894)
Administrative expenses			
– Share-based payment		**(3,758)**	(8,101)
– Share-based payment arising from the issue of convertible bonds		**–**	(147,839)
– Others		**(43,469)**	(29,662)
Operating loss		**(51,908)**	(180,249)
Finance income	7	**8,909**	295
Finance costs	7	**(4,766)**	(3,522)
Loss before taxation	12	**(47,765)**	(183,476)
Income tax credit	8	**1,279**	504
Loss for the year/period from continuing operations		**(46,486)**	(182,972)
Discontinued operation			
Loss for the year/period from a discontinued operation	9	**–**	(7)
Loss for the year/period		**(46,486)**	(182,979)
Loss attributable to:			
Owners of the Company		**(45,327)**	(182,386)
Non-controlling interests		**(1,159)**	(593)
		(46,486)	(182,979)
Loss per share attributable to owners of the Company during the year/period (expressed in HK$ per share)	10		
Basic			
– From continuing operations		**HK$(0.034)**	HK$(0.171)
– From a discontinued operation		**–**	–
Diluted			
– From continuing operations		**N/A**	N/A
– From a discontinued operation		**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated) (Note 4)
Loss for the year/period	**(46,486)**	(182,979)
Other comprehensive income:		
Exchange differences on translation of foreign operations	**1,707**	6,513
Total comprehensive loss for the year/period	**(44,779)**	(176,466)
Total comprehensive loss for the year/period attributable to:		
Owners of the Company	**(43,964)**	(177,598)
Non-controlling interests	**(815)**	1,132
	(44,779)	(176,466)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	**As at 31 December 2012 HK$'000**	As at 31 December 2011 HK$'000 (Restated) (Note 4)	As at 1 April 2011 HK$'000 (Restated) (Note 4)
Assets				
Non-current assets				
Property, plant and equipment		**48,680**	16,557	14,110
Intangible assets		**25,375**	22,547	21,456
Cemetery assets use rights		**212,765**	225,115	218,408
Deposits for non-current assets		**25,972**	27,741	–
		312,792	291,960	253,974
Current assets				
Inventories		**80,959**	72,134	71,778
Prepayments, deposits and other receivables		**9,737**	1,670	4,311
Balances with a jointly-controlled entity		**18,364**	12,329	8,063
Derivative financial instruments		**1,771**	2,461	1,302
Cash and cash equivalents		**11,545**	33,949	5,971
		122,376	122,543	91,425
Liabilities				
Current liabilities				
Trade payables	13	**867**	502	733
Loan from a non-controlling interest		**1,229**	1,222	1,185
Other payables and accruals		**20,732**	12,107	14,775
Income tax payable		**–**	5	5
Other borrowings		**1,229**	1,222	25,593
Convertible bonds		**–**	28,848	–
		24,057	43,906	42,291
Net current assets		**98,319**	78,637	49,134
Total assets less current liabilities		**411,111**	370,597	303,108

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated) (Note 4)	As at 1 April 2011 HK$'000 (Restated) (Note 4)
Non-current liabilities			
Other payables and accruals	**2,586**	1,437	1,577
Deferred income tax liabilities	**70,688**	71,556	70,019
Other borrowings	**14,539**	14,715	14,810
Convertible bonds	**107,626**	76,131	44,942
	195,439	163,839	131,348
Net assets	**215,672**	206,758	171,760
Capital and reserves			
Share capital	**3,795**	2,530	2,522
Reserves	**143,744**	135,141	117,574
Equity attributable to owners of the Company	**147,539**	137,671	120,096
Non-controlling interests	**68,133**	69,087	51,664
	215,672	206,758	171,760

NOTES

For the year ended 31 December 2012

1. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the year/period presented, unless otherwise stated.

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention except certain financial assets and financial liabilities are measured at fair value, as appropriate.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The Board of Directors of the Company announced on 10 November 2011 the change of financial year end date of the Company from 31 March to 31 December with effect from 31 March 2011 to align the financial year end date of the Company with that of its principal subsidiaries which are operating in the People's Republic of China (the "PRC").

The corresponding comparative amounts shown for the consolidated income statement and the consolidated statement of comprehensive income and related notes cover a nine-month period from 1 April 2011 to 31 December 2011 and therefore may not be comparable to those amounts shown for the current year.

During the year ended 31 December 2012, the Group reported a net loss of HK$46,486,000 and has a net operating cash outflow of HK$35,385,000. As at the same date, the Company's current liabilities exceeded its current assets by HK$4,782,000. The above conditions indicate the existence of uncertainties which may cast doubt on the Group's ability to continue as a going concern. Notwithstanding the above, the consolidated financial statements are prepared on a going concern basis.

In order to improve the Group's operating performance and alleviate its liquidity risk, management is implementing measures to reduce the operating cash outflows and to raise additional financing for the Group. Apart from exercising its effort in cost control, the Group is also exploring other financing means which include negotiating with banks to secure banking facilities such that the Group can obtain further financing to meet its financial obligations. In addition, subsequent to the reporting period, the Group received a loan amounting to HK$20,000,000 from the chairman of the Company who is also one of the shareholders of the Company and the loan is repayable after one year. Although the loan can be demanded for early repayment if there is any fund raised (either in a form of debt or equity financing) by the Company for any amount of net proceeds of not less than HK$20,000,000, the fund raised by the Company must not have any conditions which require the Company to repay the fund raised within twelve months from the date of the loan agreement entered between the chairman and the Company.

The Company's directors believe that the Group will be able to secure additional financing and successful in implementing the above-mentioned measures. The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of twelve months from the latest balance sheet date. Based on these cash flow projections, the Group will have sufficient financial resources in the coming twelve months to meet its financial obligations as and when they fall due. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. ADOPTION OF NEW AND REVISED HKFRSs WHICH ARE EFFECTIVE

The adoption of amendments to existing standards

In the current year, the Company and its subsidiaries (together, the "Group") have applied, for the first time, the amended standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are applicable to the Group's financial statements beginning on 1 January 2012. The adoption of these amendments does not have significant impact to the results and financial position of the Group.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

New standards, amendments and interpretations to existing standards that have been issued but are not yet effective for the financial year beginning 1 January 2012 and that have not been early adopted

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Financial statements presentation	1 July 2012
HKAS 19 (revised 2011)	Employee benefits	1 January 2013
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (revised 2011)	Associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation	1 January 2014
HK (IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKFRS 1 (Amendment)	Government loans	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures	1 January 2013
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated financial statements, Joint arrangements and Disclosure of interests in other entities: Transition guidance	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
Annual improvements project	Annual improvements 2009-2011 cycle	1 January 2013

The Group has assessed the impact of adopting HKFRS 10 – Consolidated financial statements ("HKFRS 10") and HKFRS 11 – Joint arrangements ("HKFRS 11"). It has concluded that the adoption of HKFRS 10 does not have material impact on its results of the operation and financial position and the adoption of HKFRS 11 will result in equity accounting of the jointly-controlled entity of the Group. Proportionate consolidation of the jointly-controlled entity will not be allowed.

The Group has already commenced an assessment of the related impact of adopting the other new standards, amendments and interpretations to existing standards but it is not yet in a position to state whether they will have a significant impact on its results of operations and financial position. The Group plans to adopt these new standards, amendments and interpretations to existing standards when they become mandatory.

4. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS

In preparing the Group's consolidated financial statements for the year ended 31 December 2012, management has revisited the accounting treatments for certain transactions entered into by the Group in previous years and concluded that adjustments are required to be made to the comparative information presented so as to ensure that the consolidated financial statements presented are in compliance with HKFRS. A detailed description of the nature of each prior year error is provided in notes 4(a) to 4(j) below. The amounts of the prior year correction for each financial statement line item affected are presented in the tables in note 4(k)(i) to note 4(k)(vii) below.

(a) Adjustments in relation to the acquisition of Era Investment (Holding) Inc. ("EIHI")

On 26 October 2010, the Group acquired 50% equity interest in EIHI which was holding a 90% investment in the registered capital of Suzhou Celebrities Cemetery Industry Co., Limited with profit sharing ratio of 75%.

(i) Fair value measurement related to the issuance of two convertible bonds for the acquisition on 26 October 2010

With respect to the acquisition, the total consideration of HK$107,650,000 that settled by the Group by means of cash of HK$40,000,000, a convertible bond with a face value of HK$36,900,000 ("CB 2.1") and another convertible bond with a face value of HK$30,750,000 ("CB 2.2"). Previously, the Group applied the fair values of these convertible bonds which equaled to their face values as the purchase price consideration. Based on a reassessment performed, the fair values of these convertible bonds were HK$62,486,000 and HK$52,000,000, respectively. The resulting increase in the purchase price consideration of HK$46,836,000 has a corresponding effect to the determination of the amount of goodwill in connection with this acquisition as set out in note 4(a)(ii).

Based on the reassessment performed, the liability component of CB 2.1 and CB 2.2 changed from HK$33,348,000 and HK$26,335,000 to HK$33,602,000 and HK$26,152,000, respectively. The Group also recognised a separate derivative asset of HK$2,761,000. There was also an impact on the subsequent amortised cost of the liability component of these convertible bonds resulting in immaterial effects to the accrued interest of these convertible bonds and the carrying amount of the convertible bonds as at 31 December 2011 and 1 April 2011 and the finance costs for the period ended 31 December 2011.

Furthermore, due to the increase in the purchase price consideration and the changes in the liability component of these convertible bonds, the Group's and the Company's equity also increased by HK$49,356,000 and HK$48,229,000 as at 31 December 2011 and 1 April 2011, respectively.

(ii) Recognition and measurement of identifiable intangible assets acquired in connection with the EIHI acquisition and the corresponding deferred tax impact at the date of acquisition

Previously, the Group recognised goodwill of HK$117,682,000 in connection with this acquisition based on the difference between the consideration of HK$107,650,000 as set out in note 4(a)(i) and the proportionate share of the net asset value as per the management accounts of EIHI as at 26 October 2010. In accordance with HKFRS 3(R), the Group conducted a business valuation pursuant to which the Group increased the purchase price consideration of HK$46,836,000 as set out in note 4(a)(i) and recognised, separately from goodwill, intangible assets identified related to this acquisition. Based on the valuation performed, the Group identified the following adjustments on intangible assets at the date of acquisition:

(i) Increase in the carrying value of cemetery assets use rights of HK$270,788,000.

(ii) Increase in the carrying value of an operating right to manage a cemetery of HK$5,099,000.

In addition, the Group also recognised the following items:

(i) Increase in the carrying value of deferred income tax liabilities of HK$69,492,000.

(ii) Increase in the carrying value of non-controlling interests of HK$53,391,000.

(iii) Increase in the carrying value of deferred tax assets of HK$5,103,000.

As a result of the recognition of the aforementioned items, goodwill was reduced to HK$6,411,000. Furthermore, with the consideration of the exchange realignment affecting the respective items, the net effects on the consolidated financial statements for the respective accounting periods are as follows:

(i) Reclassification of the allocated land use rights for cemetery from prepaid land lease payment to cemetery assets use rights with amounts of HK$447,000 and HK$2,064,000 as at 31 December 2011 and 1 April 2011, respectively.

(ii) A decrease in intangible assets, including goodwill of HK$152,441,000 and HK$152,801,000 as at 31 December 2011 and 1 April 2011, respectively.

(iii) An increase in cemetery assets use rights of HK$225,115,000 and HK$218,408,000 as at 31 December 2011 and 1 April 2011, respectively.

(iv) An increase in deferred income tax assets of HK$5,355,000 and HK$5,195,000 as at 31 December 2011 and 1 April 2011, respectively. The corresponding impact of deferred income tax assets during the period ended 31 December 2011 was set out in note 4(a)(iii).

(v) An increase in inventories of HK$59,067,000 and HK$59,359,000 as at 31 December 2011 and 1 April 2011, respectively. The corresponding impact of the derecognition of cemetery assets use rights classified as inventories and the reclassification from administrative expenses to cost of sales during the period ended 31 December 2011 was set out in note 4(a)(iii).

(vi) An increase in deferred income tax liabilities of HK$72,792,000 and HK$70,744,000 as at 31 December 2011 and 1 April 2011, respectively. The corresponding impact of deferred income tax liabilities during the period ended 31 December 2011 was set out in note 4(a)(iii).

(vii) An increase in exchange reserve of HK$8,959,000 and HK$3,962,000 as at 31 December 2011 and 1 April 2011, respectively.

(iii) Additional amortisation charge arising from the recognition of the operating right

Cemetery assets use rights classified as inventories should be derecognised in accordance with the ground burial rights sold. Operating right related to the management of a cemetery with indefinite life should be tested for impairment annually. The recognition of the fair value of the operating right and deferred income tax liability and the reclassification from administrative expenses to cost of sales with the consideration of the exchange realignment of the respective items as set out in note 4(a)(ii) have resulted in the following impacts:

(i) An increase in amortisation charges recorded in cost of sales of HK$1,870,000 for the period ended 31 December 2011.

(ii) A reclassification from administrative expenses to cost of sales amounting to HK$144,000 during the period ended 31 December 2011.

(iii) An increase in income tax credit of HK$504,000 for the period ended 31 December 2011.

The effects of the above adjustments on the consolidated financial statements are summarised in note 4(k).

(b) Adjustments in relation to the acquisition of Luck Point Investments Limited ("LPIL")

On 27 January 2011, the Group acquired 100% equity interest in LPIL which was holding a 100% investment in the registered capital of Huai Ji Luck Mountain Funeral Parlor Limited with profit sharing ratio of 70%.

(i) Recognition and measurement of identifiable intangible assets acquired in connection with the LPIL acquisition and the corresponding deferred tax impact at the date of acquisition

Previously, the Group recognised goodwill of HK$9,125,000 in connection with this acquisition based on the difference between the consideration paid and the net asset value as per the management accounts of LPIL as at 27 January 2011. In accordance with HKFRS 3(R), the Group conducted a business valuation pursuant to which the Group recognised an option granted to one of the selling shareholder of HK$19,000 as part of the purchase price consideration and recognised, separately from goodwill, intangible assets identified related to this acquisition. Based on the valuation performed, the Group identified the following adjustments on intangible assets:

(i) Increase in the carrying value of cemetery assets use rights of HK$11,013,000.

(ii) Increase in the carrying value of an operating right to manage a cemetery of HK$197,000.

(iii) Increase in the carrying value of an operating right to provide crematory services of HK$9,505,000.

In addition, the Group also recognised the following items:

(i) Increase in the carrying value of deferred income tax liabilities of HK$5,179,000.

(ii) Increase in the carrying value of non-controlling interests of HK$5,238,000.

(iii) Increase in the carrying value of deferred income tax assets of HK$445,000.

As a result of the recognition of the aforementioned items, the goodwill changed to negative goodwill of HK$1,599,000. Furthermore, with the consideration of the exchange realignment affecting the respective items, the net effects on the consolidated financial statements for the respective accounting periods are as follows:

(i) An increase in intangible assets of HK$912,000 and HK$614,000 as at 31 December 2011 and 1 April 2011, respectively.

(ii) An increase in deferred income tax assets of HK$463,000 and HK$457,000 as at 31 December 2011 and 1 April 2011, respectively.

(iii) An increase in inventories of HK$11,393,000 and HK$11,053,000 as at 31 December 2011 and 1 April 2011, respectively.

(iv) An increase in deferred income tax liabilities of HK$5,357,000 and HK$5,198,000 as at 31 December 2011 and 1 April 2011, respectively.

(v) An increase in exchange reserve of HK$335,000 and HK$68,000 as at 31 December 2011 and 1 April 2011, respectively.

The effects of the above adjustments on the consolidated financial statements are summarised in note 4(k).

(c) Recognition and fair value measurement of the issuance of a convertible bond on 23 June 2010 ("CB 1")

On 23 June 2010, the Company issued CB 1 with principal amount of HK$20,000,000 to New Brilliant Investments Limited, which is wholly-owned by Mr. Chui Bing Sun ("Mr. Chui"), chairman, a director and a shareholder of the Company, and recorded a liability component thereon of HK$16,969,000 with an effective interest rate of 5.00% per annum. Based on a reassessment performed, the Group determined the fair value of CB 1 to be HK$37,200,000 and the liability component to be HK$15,411,000. The difference between the principal amount and the fair value of CB 1 amounting to HK$17,200,000 has been recorded as 'share-based payment arising from the issue of convertible bonds'. The conversion price of CB 1 represents approximately a 42.86% discount of the Company's share price at the day of issue. The conversion option of CB 1 provides a benefit to Mr. Chui in return for a long-term financing to the Group and new business opportunities. Management considers it is appropriate to account for this transaction based on HKFRS 2 – Share-based Payment ("HKFRS 2"). There was also an impact on the subsequent measurement of the liability component of CB 1 which was treated as a cash-settled transaction with a decreasing finance cost of HK$426,000 and an increasing fair value loss of HK$692,000 for the period ended 31 December 2011. The net impact to the Group's and the Company's convertible bonds and equity were HK$706,000 and HK$439,000 as at 31 December 2011 and 1 April 2011, respectively. The effects of the above adjustments on the consolidated financial statements are summarised in note 4(k).

(d) Recognition and fair value measurement of the issuance of a convertible bond on 23 May 2011 ("CB 3")

On 23 May 2011, the Company issued CB 3 with principal amount of US$12,500,000 (equivalent to HK$97,174,000) to AXA Direct Asia II, L.P ("AXA"), an independent third party and recorded a liability and equity component thereon of HK$51,998,000 and HK$45,176,000, respectively. Furthermore, the Company did not amount for the redemption option embedded in the CB 3. Based on a reassessment performed, the Group determined the fair value of CB 3 to be US$31,517,000 (equivalent to HK$245,013,000) with the liability component to be US$7,540,000 (equivalent to HK$58,616,000) which included a closely-related embedded derivative. The conversion price of CB 3 represents approximately a 59.64% discount of the Company's share price at the day of issue. The conversion option provides a benefit to AXA in return for an interest free long-term financing and future services to the Group. Accordingly, management considers it is appropriate to account for this transaction based on HKFRS 2. The difference between the principal amount and the fair value of CB 3 amounting to US$19,017,000 (equivalent to HK$147,839,000) was recorded as 'share-based payment arising from the issue of convertible bonds' for the period ended 31 December 2011. There was also an impact on the subsequent measurement of the liability component of CB 3 which was treated as a cash-settled transaction with a decreasing finance cost of HK$4,107,000 and an increasing fair value gain of HK$1,005,000 for the period ended 31 December 2011. The net impact to the Group's and the Company's convertible bonds and equity were HK$1,503,000 as at 31 December 2011. The effects of the above adjustments on the consolidated financial statements are summarised in note 4(k).

(e) Reclassification of deposits for land use rights and property, plant and equipment as non-current assets

As at 31 December 2011, the Group classified deposits of HK$11,430,000 for land use rights and HK$16,311,000 for property, plant and equipment as current assets. In accordance with HKAS 1 – Presentation of Financial Statements ("HKAS 1"), such deposits should be considered as a non-current asset in view of that the deposits were for the purposes of obtaining long term assets – land use rights and property, plant and equipment which do not meet the current asset classification. The effects of the above adjustments on the consolidated financial statements are summarised in note 4(k).

(f) Reclassification of certain payables as non-current liabilities

As at 31 December 2011 and 1 April 2011, certain of the Group's payables amounting to Renminbi ("RMB") 1,250,000 (equivalent to HK$1,527,000) and RMB1,400,000 (equivalent to HK$1,660,000), which had repayment terms of more than one year after the respective reporting periods, were entirely classified as current liabilities. As the Group has the right to defer payment for part of the payables for more than one year from respective reporting dates, such payables have been reclassified in accordance with the repayment terms in accordance with HKAS 1. As at 31 December 2011 and 1 April 2011, this adjustment resulted in a decrease in the current liabilities portion of these payables by HK$1,437,000 and HK$1,577,000, respectively, with a corresponding increase in non-current liabilities portion of these payables. The effects of the above adjustments on the consolidated financial statements are summarised in note 4(k).

(g) Reclassification of certain receivables and payables

As at 31 December 2011 and 1 April 2011, certain of the Group's receivables and payables from/to a shareholder of a joint venture were offset and the net amount was reported in the consolidated statement of financial position under amount due from a jointly-controlled entity. However, in accordance with HKAS 32 – Financial Instruments: Presentation, the Group should record the receivables and payables separately. Accordingly, as at 31 December 2011 and 1 April 2011, this adjustment resulted in an increase in both the amount due from a jointly-controlled entity and the amount due to a shareholder of a joint venture by HK$5,063,000. The effects of the above adjustments on the consolidated financial statements are summarised in note 4(k).

(h) Reclassification of injections of capital contribution from non-controlling interests as a financing cash flow

During the period ended 31 December 2011, the Group classified injections of capital from non-controlling interests of HK$16,291,000 as investing activities on the consolidated statement of cash flows. To comply with HKAS 7 – Statements of cash flows ("HKAS 7"), injections of capital from non-controlling interests was reclassified as financing activities on the consolidated statement of cash flows. The effects of the above adjustments on the consolidated financial statements are summarised in note 4(k).

(i) Reclassification of certain deposits for land use rights and property, plant and equipment as an investing cash flow

During the period ended 31 December 2011, the Group classified certain deposits for land use rights and property, plant and equipment totaling HK$11,430,000 and HK$16,311,000, respectively, as operating activities on the consolidated statement of cash flows. To comply with HKAS 7, these deposits were reclassified as investing activities on the consolidated statement of cash flows in the view of that these deposits were for the purposes of obtaining long term assets. The effects of the above adjustments on the consolidated financial statements are summarised in note 4(k).

(j) Fair value measurement and amortisation of warrant shares and share options expenses

During the period ended 31 December 2011, the Company granted certain warrant shares and share options to the Group's employees, consultants and an agent. The assumptions used in determining the fair value of the warrant shares and share options were not consistently applied in accordance with the terms of the share-based arrangements. Additionally, the warrant shares granted to an agent on 14 July 2011 are a tranched vesting but the Company had amortised the total share-based payment amount of all the warrant shares prorataly over one single vesting period. The above adjustments resulted in an increase in the share-based payment expenses related to share options and warrant shares by HK$2,440,000 and HK$1,892,000, respectively, with a corresponding increase in equity as at 31 December 2011. The effects of the above adjustments on the consolidated financial statements are summarised in note 4(k).

(k) Summary of the effects of restatements due to correction of prior year errors

The following is a summary of the effects of the restatements due to correction of prior year errors on:

(i) the Group's consolidated income statement for the period ended 31 December 2011;

(ii) the Group's consolidated statement of comprehensive income for the period ended 31 December 2011;

(iii) the Group's consolidated statement of financial position as at 31 December 2011;

(iv) the Group's consolidated statement of financial position as at 1 April 2011;

(v) the Group's consolidated statement of cash flows for the period ended 31 December 2011;

(vi) the Company's statement of financial position as at 31 December 2011; and

(vii) The Company's statement of financial position as at 1 April 2011.

(i) *Effect of error correction on the Group's consolidated income statement for the period ended 31 December 2011*

	As previously reported HK$'000	Note 4(a)(i) HK$'000	Note 4(a)(ii) HK$'000	Note 4(a)(iii) HK$'000	Note 4(b)(i) HK$'000	Note 4(c) HK$'000	Note 4(d) HK$'000	Note 4(e) HK$'000	Note 4(f) HK$'000	Note 4(g) HK$'000	Note 4(h) HK$'000	Note 4(i) HK$'000	Note 4(j) HK$'000	As restated HK$'000
Continuing operations														
Revenue	7,132	–	–	–	–	–	–	–	–	–	–	–	–	7,132
Cost of sales	(1,176)	–	–	(2,014)	–	–	–	–	–	–	–	–	–	(3,190)
Gross profit	5,956	–	–	(2,014)	–	–	–	–	–	–	–	–	–	3,942
Other income	716	–	–	–	–	–	–	–	–	–	–	–	–	716
Other (losses)/gains, net	117	1,159	–	–	–	(692)	1,005	–	–	–	–	–	–	1,589
Sales and marketing expenses	(894)	–	–	–	–	–	–	–	–	–	–	–	–	(894)
Administrative expenses														
– Share-based payment	(3,769)	–	–	–	–	–	–	–	–	–	–	–	(4,332)	(8,101)
– Share-based payment arising from the issue of convertible bonds	–	–	–	–	–	–	(147,839)	–	–	–	–	–	–	(147,839)
– Others	(29,806)	–	–	144	–	–	–	–	–	–	–	–	–	(29,662)
Operating loss	(27,680)	1,159	–	(1,870)	–	(692)	(146,834)	–	–	–	–	–	(4,332)	(180,249)
Finance income	295	–	–	–	–	–	–	–	–	–	–	–	–	295
Finance costs	(8,023)	(32)	–	–	–	426	4,107	–	–	–	–	–	–	(3,522)
Loss before taxation	(35,408)	1,127	–	(1,870)	–	(266)	(142,727)	–	–	–	–	–	(4,332)	(183,476)
Income tax credit	–	–	–	504	–	–	–	–	–	–	–	–	–	504
Loss for the period from continuing operations	(35,408)	1,127	–	(1,366)	–	(266)	(142,727)	–	–	–	–	–	(4,332)	(182,972)
Discontinued operation														
Loss for the period from a discontinued operation	(7)	–	–	–	–	–	–	–	–	–	–	–	–	(7)
Loss for the period	(35,415)	1,127	–	(1,366)	–	(266)	(142,727)	–	–	–	–	–	(4,332)	(182,979)
Loss attributable to:														
Owners of the Company	(35,163)	1,127	–	(1,025)	–	(266)	(142,727)	–	–	–	–	–	(4,332)	(182,386)
Non-controlling interests	(252)	–	–	(341)	–	–	–	–	–	–	–	–	–	(593)
	(35,415)	1,127	–	(1,366)	–	(266)	(142,727)	–	–	–	–	–	(4,332)	(182,979)
Loss per share attributable to owners of the Company during the period (expressed in HK$ per share)														
Basic														
– From continuing operations	HK$(0.033)	HK$0.001	–	HK$(0.001)	–	–	HK$(0.134)	–	–	–	–	–	HK$(0.004)	HK$(0.171)
– From a discontinued operation	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Diluted														
– From continuing operations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
– From a discontinued operation	–	–	–	–	–	–	–	–	–	–	–	–	–	–

(ii) ***Effect of error correction on the Group's consolidated statement of comprehensive income for the period ended 31 December 2011***

	As previously reported HK$'000	Note 4(a)(i) HK$'000	Note 4(a)(ii) HK$'000	Note 4(a)(iii) HK$'000	Note 4(b)(i) HK$'000	Note 4(c) HK$'000	Note 4(d) HK$'000	Note 4(e) HK$'000	Note 4(f) HK$'000	Note 4(g) HK$'000	Note 4(h) HK$'000	Note 4(i) HK$'000	Note 4(j) HK$'000	As restated HK$'000
Loss for the period	(35,415)	1,127	–	(1,366)	–	(266)	(142,727)	–	–	–	–	–	(4,332)	(182,979)
Other comprehensive income:														
Exchange difference on translation of foreign operations	(476)	–	6,504	–	485	–	–	–	–	–	–	–	–	6,513
Total comprehensive loss for the period	(35,891)	1,127	6,504	(1,366)	485	(266)	(142,727)	–	–	–	–	–	(4,332)	(176,466)
Total comprehensive loss for the period attributable to:														
Owners of the Company	(35,639)	1,127	4,856	(956)	339	(266)	(142,727)	–	–	–	–	–	(4,332)	(177,598)
Non-controlling interests	(252)	–	1,648	(410)	146	–	–	–	–	–	–	–	–	1,132
	(35,891)	1,127	6,504	(1,366)	485	(266)	(142,727)	–	–	–	–	–	(4,332)	(176,466)

(iii) Effect of error correction on the Group's consolidated statement of financial position as at 31 December 2011

	As previously reported HK$'000	Note 4(a)(i) HK$'000	Note 4(a)(ii) HK$'000	Note 4(a)(iii) HK$'000	Note 4(b)(i) HK$'000	Note 4(c) HK$'000	Note 4(d) HK$'000	Note 4(e) HK$'000	Note 4(f) HK$'000	Note 4(g) HK$'000	Note 4(h) HK$'000	Note 4(i) HK$'000	Note 4(j) HK$'000	As restated HK$'000
Assets														
Non-current assets														
Property, plant and equipment	16,557	–	–	–	–	–	–	–	–	–	–	–	–	16,557
Prepaid land lease payments	447	–	(447)	–	–	–	–	–	–	–	–	–	–	–
Intangible assets	127,240	46,836	(152,441)	–	912	–	–	–	–	–	–	–	–	22,547
Cemetery assets use rights	–	–	225,115	–	–	–	–	–	–	–	–	–	–	225,115
Deposits for non-current assets	–	–	–	–	–	–	–	27,741	–	–	–	–	–	27,741
	144,244	46,836	72,227	–	912	–	–	27,741	–	–	–	–	–	291,960
Current assets														
Inventories	4,612	–	59,067	(2,938)	11,393	–	–	–	–	–	–	–	–	72,134
Prepayments, deposits and other receivables	29,411	–	–	–	–	–	–	(27,741)	–	–	–	–	–	1,670
Balances with a jointly-controlled entity	7,266	–	–	–	–	–	–	–	–	5,063				12,329
Derivative financial instruments	–	2,461	–	–	–	–	–	–	–	–	–	–	–	2,461
Cash and cash equivalents	33,949	–	–	–	–	–	–	–	–	–	–	–	–	33,949
	75,238	2,461	59,067	(2,938)	11,393	–	–	(27,741)	–	5,063	–	–	–	122,543
Liabilities														
Current liabilities														
Trade payables	502	–	–	–	–	–	–	–	–	–	–	–	–	502
Loan from a non-controlling interest	1,222	–	–	–	–	–	–	–	–	–	–	–	–	1,222
Other payables and accruals	8,478	3	–	–	–	–	–	–	(1,437)	5,063	–	–	–	12,107
Income tax payable	5	–	–	–	–	–	–	–	–	–	–	–	–	5
Other borrowings	1,222	–	–	–	–	–	–	–	–	–	–	–	–	1,222
Convertible bonds	28,910	(62)	–	–	–	–	–	–	–	–	–	–	–	28,848
	40,339	(59)	–	–	–	–	–	–	(1,437)	5,063	–	–	–	43,906
Net current assets/(liabilities)	34,899	2,520	59,067	(2,938)	11,393	–	–	(27,741)	1,437	–	–	–	–	78,637
Total assets less current liabilities	179,143	49,356	131,294	(2,938)	12,305	–	–	–	1,437	–	–	–	–	370,597
Non-current liabilities														
Other payables and accruals	–	–	–	–	–	–	–	–	1,437	–	–	–	–	1,437
Deferred income tax liabilities	–	–	67,437	(775)	4,894	–	–	–	–	–	–	–	–	71,556
Other borrowings	14,715	–	–	–	–	–	–	–	–	–	–	–	–	14,715
Convertible bonds	73,922	–	–	–	–	706	1,503	–	–	–	–	–	–	76,131
	88,637	–	67,437	(775)	4,894	706	1,503	–	1,437	–	–	–	–	163,839
Net assets/(liabilities)	90,506	49,356	63,857	(2,163)	7,411	(706)	(1,503)	–	–	–	–	–	–	206,758
Equity														
Capital and reserves														
Share capital	2,530	–	–	–	–	–	–	–	–	–	–	–	–	2,530
Reserves	78,703	49,356	9,500	(2,163)	1,954	(706)	(1,503)	–	–	–	–	–	–	135,141
Equity attributable to owners of the Company	81,233	49,356	9,500	(2,163)	1,954	(706)	(1,503)	–	–	–	–	–	–	137,671
Non-controlling interests	9,273	–	54,357	–	5,457	–	–	–	–	–	–	–	–	69,087
	90,506	49,356	63,857	(2,163)	7,411	(706)	(1,503)	–	–	–	–	–	–	206,758

(iv) Effect of error correction on the Group's consolidated statement of financial position as at 1 April 2011

	As previously reported	Note 4(a)(i)	Note 4(a)(ii)	Note 4(a)(iii)	Note 4(b)(i)	Note 4(c)	Note 4(d)	Note 4(e)	Note 4(f)	Note 4(g)	Note 4(h)	Note 4(i)	Note 4(j)	As restated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets														
Non-current assets														
Property, plant and equipment	14,110	–	–	–	–	–	–	–	–	–	–	–	–	14,110
Prepaid land lease payments	2,064	–	(2,064)	–	–	–	–	–	–	–	–	–	–	–
Intangible assets	126,807	46,836	(152,801)	–	614	–	–	–	–	–	–	–	–	21,456
Cemetery assets use rights	–	–	218,408	–	–	–	–	–	–	–	–	–	–	218,408
	142,981	46,836	63,543	–	614	–	–	–	–	–	–	–	–	253,974
Current assets														
Inventories	2,434	–	59,359	(1,068)	11,053	–	–	–	–	–	–	–	–	71,778
Prepayments, deposits and other receivables	4,311	–	–	–	–	–	–	–	–	–	–	–	–	4,311
Balances with a jointly-controlled entity	3,000	–	–	–	–	–	–	–	–	5,063	–	–	–	8,063
Derivative financial instruments	–	1,302	–	–	–	–	–	–	–	–	–	–	–	1,302
Cash and cash equivalents	5,971	–	–	–	–	–	–	–	–	–	–	–	–	5,971
	15,716	1,302	59,359	(1,068)	11,053	–	–	–	–	5,063	–	–	–	91,425
Liabilities														
Current liabilities														
Trade payables	733	–	–	–	–	–	–	–	–	–	–	–	–	733
Loan from a non-controlling interest	1,185	–	–	–	–	–	–	–	–	–	–	–	–	1,185
Other payables and accruals	11,286	3	–	–	–	–	–	–	(1,577)	5,063	–	–	–	14,775
Income tax payable	5	–	–	–	–	–	–	–	–	–	–	–	–	5
Other borrowings	25,593	–	–	–	–	–	–	–	–	–	–	–	–	25,593
	38,802	3	–	–	–	–	–	–	(1,577)	5,063	–	–	–	42,291
Net current (liabilities)/assets	(23,086)	1,299	59,359	(1,068)	11,053	–	–	–	1,577	–	–	–	–	49,134
Total assets less current liabilities	119,895	48,135	122,902	(1,068)	11,667	–	–	–	1,577	–	–	–	–	303,108
Non-current liabilities														
Other payables and accruals	–	–	–	–	–	–	–	–	1,577	–	–	–	–	1,577
Deferred income tax liabilities	–	–	65,549	(271)	4,741	–	–	–	–	–	–	–	–	70,019
Other borrowings	14,810	–	–	–	–	–	–	–	–	–	–	–	–	14,810
Convertible bonds	44,597	(94)	–	–	–	439	–	–	–	–	–	–	–	44,942
	59,407	(94)	65,549	(271)	4,741	439	–	–	1,577	–	–	–	–	131,348
Net assets	60,488	48,229	57,353	(797)	6,926	(439)	–	–	–	–	–	–	–	171,760
Equity														
Capital and reserves														
Share capital	2,522	–	–	–	–	–	–	–	–	–	–	–	–	2,522
Reserves	64,732	48,229	4,162	(797)	1,687	(439)	–	–	–	–	–	–	–	117,574
Equity attributable to owners of the Company	67,254	48,229	4,162	(797)	1,687	(439)	–	–	–	–	–	–	–	120,096
Non-controlling interests	(6,766)	–	53,191	–	5,239	–	–	–	–	–	–	–	–	51,664
	60,488	48,229	57,353	(797)	6,926	(439)	–	–	–	–	–	–	–	171,760

(v) Effect of error correction on the Group's consolidated statement of cash flows for the period ended 31 December 2011

	As previously reported HK$'000	Note 4(a)(i) HK$'000	Note 4(a)(ii) HK$'000	Note 4(a)(iii) HK$'000	Note 4(b)(i) HK$'000	Note 4(c) HK$'000	Note 4(d) HK$'000	Note 4(e) HK$'000	Note 4(f) HK$'000	Note 4(g) HK$'000	Note 4(h) HK$'000	Note 4(i) HK$'000	Note 4(j) HK$'000	As restated HK$'000
Operating activities														
Loss before taxation:	(35,415)	1,127	–	(1,870)	–	(266)	(142,727)	–	–	–	–	–	(4,332)	(183,483)
Adjustments for:														
Depreciation of property, plant and equipment	1,397	–	–	–	–	–	–	–	–	–	–	–	–	1,397
Amortisation on cemetery assets use rights	22	–	–	1,870	–	–	–	–	–	–	–	–	–	1,892
Share-based payment arising from the issue of convertible bond	–	–	–	–	–	–	147,839	–	–	–	–	–	–	147,839
Fair value change on financial derivative instruments	–	(1,159)	–	–	–	–	(1,005)	–	–	–	–	–	–	(2,164)
Equity-settled share options expenses	1,728	–	–	–	–	–	–	–	–	–	–	–	2,440	4,168
Equity-settled warrant shares expenses	2,041	–	–	–	–	–	–	–	–	–	–	–	1,892	3,933
Loss on disposal of property, plant and equipment	629	–	–	–	–	–	–	–	–	–	–	–	–	629
Finance costs	6,904	32	–	–	–	266	(4,107)	–	–	–	–	–	–	3,095
	(22,694)	–	–	–	–	–	–	–	–	–	–	–	–	(22,694)
Operating cash flows before movements in working capital	(22,694)	–	–	–	–	–	–	–	–	–	–	–	–	(22,694)
Decrease/(increase) in inventories	(112)	–	–	–	–	–	–	–	–	–	–	–	–	(112)
Increase in prepayments, deposits and other receivables	(25,075)	–	–	–	–	–	–	–	–	–	–	27,741	–	2,666
Increase in balances with a jointly-controlled entity	(4,266)	–	–	–	–	–	–	–	–	–	–	–	–	(4,266)
Decrease in trade payables	(231)	–	–	–	–	–	–	–	–	–	–	–	–	(231)
(Decrease)/increase in other payables and accruals	(3,412)	–	–	–	–	–	–	–	–	–	–	–	–	(3,412)
Cash used in operations	(55,790)	–	–	–	–	–	–	–	–	–	–	27,741	–	(28,049)
Interest paid	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Net cash (used in)/generated from operating activities	(55,790)	–	–	–	–	–	–	–	–	–	–	27,741	–	(28,049)
Investing activities														
Purchase of property, plant and equipment	(3,694)	–	–	–	–	–	–	–	–	–	–	–	–	(3,694)
Deposits for land use rights	–	–	–	–	–	–	–	–	–	–	–	(16,311)	–	(16,311)
Deposits for property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	(11,430)	–	(11,430)
Acquisition of a subsidiary	(928)	–	–	–	–	–	–	–	–	–	–	–	–	(928)
Injection of capital from non-controlling interests	16,291	–	–	–	–	–	–	–	–	–	(16,291)	–	–	–
Additions to intangible assets	(37)	–	–	–	–	–	–	–	–	–	–	–	–	(37)
Acquisition of land use rights	(266)	–	–	–	–	–	–	–	–	–	–	–	–	(266)
Net cash generated from/(used in) investing activities	11,366	–	–	–	–	–	–	–	–	–	(16,291)	(27,741)	–	(32,666)

	As previously reported HK$'000	Note 4(a)(i) HK$'000	Note 4(a)(ii) HK$'000	Note 4(a)(iii) HK$'000	Note 4(b)(i) HK$'000	Note 4(c) HK$'000	Note 4(d) HK$'000	Note 4(e) HK$'000	Note 4(f) HK$'000	Note 4(g) HK$'000	Note 4(h) HK$'000	Note 4(i) HK$'000	Note 4(j) HK$'000	As restated HK$'000
Financing activities														
Injection of capital from non-controlling interests	–	–	–	–	–	–	–	–	–	–	16,291	–	–	16,291
Proceeds from issue of convertible bonds	97,175	–	–	–	–	–	–	–	–	–	–	–	–	97,175
Proceeds from exercise of share options, net of issuance costs	672	–	–	–	–	–	–	–	–	–	–	–	–	672
Repayment of other borrowings	(25,611)	–	–	–	–	–	–	–	–	–	–	–	–	(25,611)
Net cash generated from financing activities	72,236	–	–	–	–	–	–	–	–	–	16,291	–	–	88,527
Net increase in cash and cash equivalents	27,812	–	–	–	–	–	–	–	–	–	–	–	–	27,812
Cash and cash equivalents at beginning of the period	5,971	–	–	–	–	–	–	–	–	–	–	–	–	5,971
Effects of foreign exchange rate changes, net	166	–	–	–	–	–	–	–	–	–	–	–	–	166
Cash and cash equivalents at end of the period	33,949	–	–	–	–	–	–	–	–	–	–	–	–	33,949

(vi) Effect of error correction on the Company's statement of financial position as at 31 December 2011

	As previously reported HK$'000	Note 4(a)(i) HK$'000	Note 4(a)(ii) HK$'000	Note 4(a)(iii) HK$'000	Note 4(b)(i) HK$'000	Note 4(c) HK$'000	Note 4(d) HK$'000	Note 4(e) HK$'000	Note 4(f) HK$'000	Note 4(g) HK$'000	Note 4(h) HK$'000	Note 4(i) HK$'000	Note 4(j) HK$'000	As restated HK$'000
Assets														
Non-current assets														
Investments in subsidiaries	78	–	–	–	–	–	–	–	–	–	–	–	–	78
Amounts due from subsidiaries	195,538	46,836	–	–	–	–	–	–	–	–	–	–	–	242,374
	195,616	46,836	–	–	–	–	–	–	–	–	–	–	–	242,452
Current assets														
Other receivables	109	–	–	–	–	–	–	–	–	–	–	–	–	109
Derivative financial instruments	–	2,461	–	–	–	–	–	–	–	–	–	–	–	2,461
Cash and cash equivalents	16,529	–	–	–	–	–	–	–	–	–	–	–	–	16,529
	16,638	2,461	–	–	–	–	–	–	–	–	–	–	–	19,099
Liabilities														
Current liabilities														
Other payables and accruals	4,344	3	–	–	–	–	–	–	–	–	–	–	–	4,347
Amount due to a subsidiary	719	–	–	–	–	–	–	–	–	–	–	–	–	719
Convertible bonds	28,910	(62)	–	–	–	–	–	–	–	–	–	–	–	28,848
	33,973	(59)	–	–	–	–	–	–	–	–	–	–	–	33,914
Net current (liabilities)/assets	(17,335)	2,520	–	–	–	–	–	–	–	–	–	–	–	(14,815)
Total assets less current liabilities	178,281	49,356	–	–	–	–	–	–	–	–	–	–	–	227,637
Non-current liability														
Convertible bonds	73,922	–	–	–	–	706	1,503	–	–	–	–	–	–	76,131
Net assets/(liabilities)	104,359	49,356	–	–	–	(706)	(1,503)	–	–	–	–	–	–	151,506
Equity														
Capital and reserves														
Share capital	2,530	–	–	–	–	–	–	–	–	–	–	–	–	2,530
Reserves	101,829	49,356	–	–	–	(706)	(1,503)	–	–	–	–	–	–	148,976
Total equity	104,359	49,356	–	–	–	(706)	(1,503)	–	–	–	–	–	–	151,506

(vii) *Effect of error correction on the Company's statement of financial position as at 1 April 2011*

	As previously reported HK$'000	Note 4(a)(i) HK$'000	Note 4(a)(ii) HK$'000	Note 4(a)(iii) HK$'000	Note 4(b)(i) HK$'000	Note 4(c) HK$'000	Note 4(d) HK$'000	Note 4(e) HK$'000	Note 4(f) HK$'000	Note 4(g) HK$'000	Note 4(h) HK$'000	Note 4(i) HK$'000	Note 4(j) HK$'000	As restated HK$'000
Assets														
Non-current assets														
Investments in subsidiaries	78	–	–	–	–	–	–	–	–	–	–	–	–	78
Amounts due from subsidiaries	147,852	46,836	–	–	–	–	–	–	–	–	–	–	–	194,688
	147,930	46,836	–	–	–	–	–	–	–	–	–	–	–	194,766
Current assets														
Other receivables	860	–	–	–	–	–	–	–	–	–	–	–	–	860
Derivative financial instrument	–	1,302	–	–	–	–	–	–	–	–	–	–	–	1,302
Cash and cash equivalents	1,448	–	–	–	–	–	–	–	–	–	–	–	–	1,448
	2,308	1,302	–	–	–	–	–	–	–	–	–	–	–	3,610
Liabilities														
Current liabilities														
Other payables and accruals	5,335	3	–	–	–	–	–	–	–	–	–	–	–	5,338
Other borrowings	25,000	–	–	–	–	–	–	–	–	–	–	–	–	25,000
Amount due to a subsidiary	58	–	–	–	–	–	–	–	–	–	–	–	–	58
	30,393	3	–	–	–	–	–	–	–	–	–	–	–	30,396
Net current liabilities	(28,085)	1,299	–	–	–	–	–	–	–	–	–	–	–	(26,786)
Total assets less current liabilities	119,845	48,135	–	–	–	–	–	–	–	–	–	–	–	167,980
Non-current liability														
Convertible bonds	44,597	(94)	–	–	–	439	–	–	–	–	–	–	–	44,942
Net assets	75,248	48,229	–	–	–	(439)	–	–	–	–	–	–	–	123,038
Equity														
Capital and reserves														
Share capital	2,522	–	–	–	–	–	–	–	–	–	–	–	–	2,522
Reserves	72,726	48,229	–	–	–	(439)	–	–	–	–	–	–	–	120,516
Total equity	75,248	48,229	–	–	–	(439)	–	–	–	–	–	–	–	123,038

5. 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.

During the current year, the Group has changed its segment information disclosure from a perspective of products and services to a perspective of geographic locations. In Mainland China, the Group mainly derives its revenue from the sales of interment rights 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.

The trading of automobile and accessories business was discontinued during the year. The segment information reported on the following does not include any amounts for the discontinued operation.

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, financial income and unallocated corporate income and expenses.

Segment assets consist primarily of property, plant and equipment, intangible assets, cemetery assets use rights, inventories, prepayments, deposits and other receivables, balances with a jointly-controlled entity and operating cash.

Segment liabilities comprise operating liabilities but exclude convertible bonds and certain other payables and accruals related to neither segments.

The segment results and other segment items for the year ended 31 December 2012 are as follows:

	Mainland China HK$'000	Hong Kong HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	**14,136**	**2,733**	**16,869**
Operating loss	**(6,592)**	**(3,484)**	**(10,076)**
Unallocated corporate expenses, net			**(41,832)**
Finance income			**8,909**
Finance costs			**(4,766)**
Loss before taxation			**(47,765)**
Segment assets	**392,980**	**8,501**	**401,481**
Property, plant and equipment			**2,513**
Intangible assets			**2,700**
Amount due from a jointly-controlled entity			**16,521**
Prepayments, deposits and other receivables			**8,149**
Derivative financial instruments			**1,711**
Cash and cash equivalents			**2,093**
Total assets			**435,168**
Segment liabilities	**(102,171)**	**(719)**	**(102,890)**
Other payables and accruals			**(6,528)**
Amounts due to shareholders			**(480)**
Amount due to a director			**(1,972)**
Convertible bonds			**(107,626)**
Total liabilities			**(219,496)**
Other segment information:			
Depreciation and amortisation	**5,672**	**194**	**5,866**
Unallocated depreciation and amortisation			**1,134**
			7,000
Capital expenditure	**28,351**	**6,376**	**34,727**
Unallocated capital expenditure			**4,037**
			38,764

The segment results and other segment items for the period ended 31 December 2011 are as follows:

	Mainland China HK$'000
Segment revenue:	
Sales to external customers	7,132
Operating loss	(2,638)
Unallocated corporate expenses, net	(177,611)
Finance income	295
Finance costs	(3,522)
Loss before taxation	(183,476)
Segment assets	375,223
Property, plant and equipment	4,761
Amount due from a jointly-controlled entity	12,329
Prepayments, deposits and other receivables	1,009
Derivative financial instruments	2,461
Cash and cash equivalents	18,720
Total assets	414,503
Segment liabilities	(97,729)
Other payables and accruals	(2,975)
Amounts due to shareholders	(480)
Amount due to a director	(1,582)
Convertible bonds	(104,979)
Total liabilities	(207,745)
Other segment information:	
Depreciation and amortisation	2,888
Unallocated depreciation and amortisation	401
	3,289
Capital expenditure	3,076
Unallocated capital expenditure	655
	3,731

Details of the segment result for the automobile and accessories trading business for the period from 1 April 2011 to 31 December 2011 and for the year ended 31 December 2012 are shown in note 9.

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

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000
Sales of interment right and related products	**7,132**	2,678
Rendering of funeral and cremation services	**9,722**	4,454
Management service	**15**	–
	16,869	7,132

The Group does not have any major customers which account for 10% or more of the total revenue of the Group during the year ended 31 December 2012 (During the period ended 31 December 2011: Nil).

The Company is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong is HK$2,733,000 (2011: Nil) and total revenue from external customers in Mainland China is HK$14,136,000 (2011: HK$7,132,000).

6. OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

The Group's other income and other (losses)/gains attributable to continuing operations as presented on the face of the consolidated income statement is analysed as follows:

(a) Other income

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Rental income	**304**	151
Sundry income	**592**	565
	896	716

(b) Other (losses)/gains, net

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Foreign exchange gain, net	**34**	117
Fair value change on derivative financial instruments	**(9,270)**	1,472
	(9,236)	1,589

7. FINANCE INCOME AND COSTS

The Group's finance income and costs attributable to continuing operations as presented on the face of the consolidated income statement is analysed as follows:

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Interest on:		
– Other borrowings wholly repayable within five years	**(79)**	(182)
– Other borrowings wholly repayable after five years	**(969)**	(667)
– Convertible bonds	**(3,802)**	(2,654)
Others	**(154)**	(19)
Finance costs	**(5,004)**	(3,522)
Less: amounts capitalised on qualifying assets	**238**	–
Total finance costs	**(4,766)**	(3,522)
Finance income:		
– Gain arising on extinguishment of a convertible bond (CB2.2)	**8,485**	–
– Interest income on short-term bank deposits	**135**	295
– Interest income on notes receivable	**207**	–
– Others	**82**	–
Total finance income	**8,909**	295
Net finance income/(costs)	**4,143**	(3,227)

8. INCOME TAX CREDIT

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Deferred income tax	**1,279**	504
Income tax credit	**1,279**	504

Hong Kong profits tax is calculated at 16.5% (For the period ended 31 December 2011: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the year (For the period ended 31 December 2011: Nil).

The PRC subsidiaries and a jointly-controlled entity are subject to the PRC corporate income tax at 25% (For the period ended 31 December 2011: 25%). No provision for the PRC corporate income tax has been made as the Group has tax losses brought forward to offset the assessable profits generated in the PRC for the year (For the period ended 31 December 2011: no assessable profits). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

A reconciliation of the tax expense applicable to loss before taxation at the statutory rates for the countries (or jurisdictions) in which the Company, its subsidiaries and a jointly-controlled entity are domiciled to the tax expense at the effective tax rates are as follows:

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Loss before taxation from continuing operations	**(47,765)**	(183,476)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(5,198)**	(2,428)
Expenses not deductible for tax	**413**	96
Others	**(109)**	(87)
Tax losses for which no deferred income tax asset was recognised	**3,615**	1,915
Income tax credit	**(1,279)**	(504)

9. DISCONTINUED OPERATION

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

The results of the automobile and accessories trading business are presented below:

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000
Revenue	**–**	2,969
Expenses	**–**	(2,976)
Loss before taxation	**–**	(7)
Income tax expense	**–**	–
Loss for the year/period from the discontinued operation	**–**	(7)

The net cash flows incurred by the automobile and accessories trading business are as follows:

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000
Operating activities	**–**	(316)
Investing activities	**–**	–
Financing activities	**–**	–
Net cash outflows	**–**	(316)

	Year ended 31 December 2012	Period from 1 April 2011 to 31 December 2011
Loss per share (expressed in HK$ per share):		
From the discontinued operation		
– Basic	**–**	–
– Diluted	**–**	–

10. LOSS PER SHARE

(a) Basic

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

On 5 June 2012, the Company issued 505,946,000 new ordinary shares through a rights issue. The rights issue was offered at HK$0.1 per share and represented a discount to the market price of the existing shares. The number of shares used for prior year calculations of loss per share shown below has been adjusted for the discounted rights issue in order to provide a comparable basis for the current year. An adjustment factor of 1.05 has been applied based on the Company's share price on the day before the new shares commenced trading on the GEM and the theoretical ex-rights price.

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Loss from continuing operations attributable to owners of the Company	**(45,327)**	(182,379)
Loss from a discontinued operation attributable to owners of the Company	**–**	(7)
	(45,327)	(182,386)
Weighted average number of ordinary shares in issue (in thousands)	**1,324,767**	1,065,827

(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 three categories of dilutive potential ordinary shares: share options, convertible bonds and warrants. The convertible bonds are assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the interest expense less the tax effect. For the share options and warrants, 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 and warrants.

There were no potential dilutive ordinary shares for the year ended 31 December 2012 and the period ended 31 December 2011.

11. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period (During the period ended 31 December 2011: Nil).

12. LOSS BEFORE TAXATION

Loss before taxation is stated after crediting and charging the following:

	Year ended 31 December 2012 HK$'000	Period from 1 April 2011 to 31 December 2011 HK$'000 (Restated)
Cost of inventories recognised as expense	**1,572**	895
Inventory write-down	**426**	–
Amortisation of cemetery assets use rights	**4,647**	1,892
Employee benefit expense	**19,934**	12,791
Depreciation of property, plant and equipment	**2,349**	1,397
Amortisation of software license	**4**	–
Auditors' remuneration	**1,450**	380
Loss on disposal of property, plant and equipment	**1,235**	629
Equity-settled warrant shares expenses for non-employee	**1,950**	3,933
Equity-settled share options expenses for non-employees	**411**	2,593
Share-based payment arising from the issue of convertible bonds	**–**	147,839
Minimum lease payments under operating leases in respect of land and buildings	**3,508**	2,447

13. TRADE PAYABLES

An aging analysis of trade payables which are non-interest bearing at end of the reporting period, based on the invoice date, is as follows:

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000
Within 30 days	**201**	37
31–60 days	**139**	–
61–90 days	**36**	–
91 days – 1 year	**304**	209
Over 1 year	**187**	256
	867	502

The average credit period on purchases of certain goods is 30 days. The carrying amount of trade payables approximates its fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

14. EVENTS AFTER THE REPORTING PERIOD

(a) On 16 January 2013, Forrex (Holding) Inc. ("Forrex") who jointly controls EIHI with Grand Creation Investments Limited ("Grand Creation"), a wholly own subsidiary of the Company, has given an unconditional irrevocable undertaking (the "Undertaking") in favour of Grand Creation pursuant to which Forrex shall vest to Grand Creation all of the voting rights enjoyed by Forrex in respect of its 50% equity interest in EIHI from time to time. The Undertaking shall be valid for a term of three years and subject to further review of the terms of the Undertaking therein upon renewal. Upon the execution of this Undertaking, the Group has the power to govern the financial and operating policies of EIHI whereby the Group has to account for such transaction as a business combination. At the date of this report, the Group is yet to obtain all necessary information, accordingly, certain disclosures in relation to the business combination as at the date of the Undertaking, such as the fair value of net assets acquired has not been presented in these consolidated financial statements.

(b) On 9 April 2013, the Company entered into a loan agreement with Mr. Chui whereby Mr. Chui agreed to provide a loan of HK$20,000,000 to the Company with interest bearing of 19% per annum and it is repayable after one year. Although the loan can be demanded for early repayment if there is any fund raised (either in a form of debt or equity financing) by the Company for any amount of net proceeds of not less than HK$20,000,000, the fund raised by the Company must not have any conditions which require the Company to repay the fund raised within twelve months from the date of the loan agreement entered between Mr. Chui and the Company.

FINANCIAL AND OPERATION REVIEW

We aim to become a leading provider of deathcare services in Hong Kong and the Greater China Region. We operate two lines of businesses: cemeteries and funeral services. As of 31 December 2012, we have one funeral undertaking shop in Hong Kong, three cemeteries, one funeral parlour, and one crematorium in China. Our operations are managed across three main areas: cemeteries, funeral services, and preneed funeral plans.

For the year ended 31 December 2012, the revenue of Group and its jointly-controlled entity have increased by 136.53% to approximately HK$16,869,000 (nine months ended 31 December 2011: HK$7,132,000). With the amount of approximately HK$14,136,000 (nine months ended 31 December 2011: HK$7,132,000) was generated from the sales of cemetery plots and cremation in the PRC, and HK$2,733,000 (nine months ended 31 December 2011: nil) was derived from the provision of funeral services in Hong Kong during the year. The funeral shop in Hong Kong commenced business in the fourth quarter during the year.

The increase in overall revenue was primarily due to the significant growth in China cemeteries revenues. Upon the completion of renovation of our flagship cemetery in Suzhou, our competitive advantage in serving the high end customers is greatly enhanced. For the year ended 31 December 2012, the gross profit of the Group was approximately HK$7,992,000 (nine months ended 31 December 2011: HK$3,942,000) and the overall gross profit margin for the Group was 47.38% (nine months ended 31 December 2011: 55.27%). The overall loss of the Group for the year ended 31 December 2012 was approximately HK$46,486,000 while there was approximately HK$182,979,000 of loss incurred for the nine months ended 31 December 2011. The significant loss for the prior period was due to the share-based payment expenses derived from the convertible bond issued by the Company to AXA in May 2011 amounted to HK$147,839,000. Apart from this, the Group incurred approximately HK$35,140,000 loss for the nine months ended 31 December 2011. The Company is still in a beginning stage of the industry revolution cycle in the deathcare business, we have invested a lot of resources to the business during past years in terms of branding, infrastructure, facilities, product designs, people training and etc.

Sales and marketing expenses

Sales and marketing expenses for 2012 were HK$4,333,000, which have increased from HK$894,000 in prior period. The expenses were mainly associated with respective sales and marketing staff costs and corporate marketing promotion events such as the Senior Fair Exhibition held at Hong Kong Convention and Exhibition Center and the "Glamour" drama ("風華再現" 舞台劇) that held at Sunbeam Theatre. The "Glamour" drama was based on a true story from the elderly, Sage has invited hundreds of senior citizens as a witness of the elderlies' life story.

Administrative expenses

Administrative expenses for 2012 decreased from HK$185,602,000 in 2011 to HK$47,227,000 in 2012. The administrative expenses in 2011 mainly comprised of the share-based payment expenses arising from the convertible bonds issued by the Company to AXA, with the amount of HK$147,839,000. During the year, the administrative expenses incurred are due to the expansion of our current business, particularly the businesses of funeral services and preneed funeral plans in Hong Kong. More staff was hired in both Hong Kong and China during the year, the total staff costs have increased by HK$7,143,000 from HK$12,791,000 in 2011 to HK$19,934,000 in 2012.

Finance income and costs

As at 31 December 2012, the finance income has increased to HK$8,909,000 from HK$295,000 in 2011, which mainly due to the gain arising from extinguishment of a convertible bond issued by the Company to Forrex (Holding) Inc., which is a shareholder of a jointly-controlled entity of the Group. Finance costs for 2012 were HK$4,766,000, representing an increase of 35.32% over HK$3,522,000 for 2011. The increment mainly derived from the interest expense on the convertible bonds issued by the Company.

CEMETERIES

Overview

The Group operates cemetery in (1) Suzhou, Jiangsu Province; (2) Huaiji, Guangdong Province; and (3) Bijie, Guizhou Province; with land holding for operating cemetery business of approximately 66,000 square meters, 117,000 square meters and 133,200 square meters, respectively. Our cemetery operations sell right of interment in burial spaces, cremation niches and related merchandise, such as markers, monuments and flowers.

Developments

Upon the completion of the renovation of the Suzhou cemetery, the revenue has increased more than double from HK$3,210,000 in 2011 to HK$7,149,000 in 2012. With a mixture of traditional heritage and contemporary architecture, the enhanced cemetery become a popular choice in Jiangsu Province and Shanghai. The Group expected a significant contribution from Suzhou cemetery in coming years.

The application of cemetery license in Huaiji was approved and the infrastructure work of the cemeteries is expected to commence in first half of 2013.

On the other hand, due to the unsatisfactory weather conditions and additional requirement in obtaining certain working permits for the construction of the cemetery in Bijie, the expected date of business commencement will be postponed to first half of 2013. Meanwhile, the construction of foundation work and amenity facilities are in progress as at reporting date.

Furthermore, the Group has entered into a memorandum of understandings to purchase a cemetery located in Beijing from its shareholder, the cemetery is the first garden-style cemetery in Beijing and several former famous generals of China are currently buried there, it is also the largest cemetery in China, in terms of total area of the cemetery.

FUNERAL SERVICES

Overview

The funeral home and cremation businesses in Huaiji are expanding gradually during the year. The revenue arise from cremation services and sales of memorials and respective merchandise is HK$6,989,000 in 2012 as compared with that of HK$4,454,000 in 2011. With the local government grants, the Group has replaced the furnaces during the year in order to improve the efficiency of the cremation time. Moreover, with the local government's education to the residents and the effort we contributed, the cremation rate in Huaiji is improving each year. Following the commencement of cemetery business, the management expected a significant growth of sales in 2013.

In Hong Kong, we have a funeral undertaking shop in Hung Hom which offer a complete range of funeral services and products both at the time of need and on a preneed basis. Our services and products include family counseling, arrange the use of funeral parlour facilities, coordinating the funeral arrangements and ceremonies, supervision of funerals, transfer and removal of remains to funeral parlour, transfer to place of final disposition, documentations & filings, urns, flowers and memorial items.

Our funeral shop at Hung Hom was opened in late 2012, it has provided a refreshed and people-oriented environment for those families in need with an affordable price. We also obtained a second funeral undertaking license to cope with future business development.

In 2012, the Group has successfully bid a tender offered by Government of the Hong Kong Special Administrative Region as the service contractor for sea burials. As of reporting date, the Group has serviced hundreds of families in scattering cremains of their loved ones into the sea. We, as a funeral director, are on board to assist family members and friends during memorial ceremonies and accommodate different religious rituals. According to the Food and Environmental Hygiene Department, the number of application for sea burials had increased fourfold to over 660 from 2007 to 2011. Management is positive that the number will increase continuously in the coming future.

Developments

We targeted to position ourselves as a one-stop funeral service provider with professional team and reasonable price. The Group will continue to extend our funeral services and sales of related funeral products to the public in Hong Kong. With the shortage of niche and burial plot available in Hong Kong, the Group always has a mission and social responsibility to give a hand to relief the stress through different alternative solution.

PRENEED FUNERAL PLANS

Overview

The Group just launched preneed funeral plans during the fourth quarter of 2012. These plans represent future incremental business for the funeral service division. Preneed funeral plans enable families to specify and prepay for funeral services and products in advance. Customers can lock in the price of funeral services through such prepaid contract to avoid any future increase in cost of the funeral services. We differentiate ourselves from many of our competitors through our strong emphasis on preneed sales. Preneed sales are important to our long term growth potential which can provide a stable back log of future revenue source. Currently, we market our preneed services and products to elderly customers. Our goal is to effectively capture the potential clients early on to increase our market share.

Developments

The Group has set up a trust with a reputable Trustee, who has ample experience in professional trust management to set aside the proceeds from preneed funeral plan in order to safeguard and maintain the independence of its assets. Soft launch of preneed funeral plan took place in late 2012 with a positive customer feedback. Preneed funeral plan allow people to plan and pay for their funeral in advance without worrying about inflation. The Group has a strong market presence in this segment so far and plan to work with insurance companies on new product development.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group has cash and bank balances of approximately HK$11,545,000 (as at 31 December 2011: HK$33,949,000). The Group has concentrated on the business development of funeral services in Hong Kong and China. As at 31 December 2012, the total assets of the Group were HK$435,168,000 (as at 31 December 2011: HK$414,503,000). The net current assets of the Group was HK$98,319,000 (as at 31 December 2011: HK$78,637,000) and the Group's current ratio, which represents the current assets over its current liabilities, was 5.09 times (as at 31 December 2011: 2.79 times).

INVESTMENT POSITION AND PLANNING

On 5 September 2012, the Company has signed a memorandum of understandings with its shareholder to purchase cemetery located in Beijing, the cemetery is the first garden-style cemetery in Beijing and several former famous generals of China are currently buried there, it is also the largest cemetery in China, in terms of total area of the cemetery. The Company is undergoing due diligence review as at the reporting date.

INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

Except for the possible acquisition as disclosed in above section "Investment position and planning", the Group had not made any material acquisition or disposal during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

MODEL CODE FOR 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.

CORPORATE GOVERNANCE

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can properly protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company.

Save as the deviation from the code provision A.2.1 as described below, the Company has complied with the Corporate Governance Code (the "CG Code") during the year ended 31 December 2012.

Non-compliance code provision A.2.1

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. During the year ended 31 December 2012, Mr. Chui Bing Sun currently holds the offices of Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and CEO 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.

The Company will, from time to time, review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and CEO, are necessary.

CORPORATE GOVERNANCE PRACTICES

The Board assumes overall responsibilities for leadership and control of the Company and is collectively responsible for promoting the success of the Company and its business by directing and supervising the Company's affairs. The Board focuses on overall corporate strategies and policies with attention particularly paid to the financial performance of the Company.

The Company has adopted the Code on Corporate Governance Practices (effective until 31 March 2012) (the "Code") and CG Code (effective from 1 April 2012) 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.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

There is a clear division of the responsibilities of the Board and the management. The Board delegated its responsibilities to directors and senior management to deal with day-to-day operations and review those arrangements on a periodic basis.

Management has to report back to the Board and obtain prior approval before making decisions for key matters or entering into any commitments on behalf of the Company. The Board has a balance of skill and experience appropriate for the requirements of the business of the Company.

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 annual, interim and quarterly results of the Company during the year ended 31 December 2012 and was consent that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement of the Group for the year ended 31 December 2012 is published on the website of GEM of the Stock Exchange at www.hkgem.com and the website of the Company at www.sig.hk. The 2012 Annual Report of the Company will be despatched to the shareholders of the Company and made available on the above websites in due course.

On behalf of the board of
Sage International Group Limited
Chui Bing Sun
Chairman and executive Director

Hong Kong, 11 April 2013

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chui Bing Sun (Chairman) and Mr. Kwok Kwan Hung, and three independent non-executive Directors, namely, Mr. Chan Wai Man, Mr. Law Yee Man, Thomas and Mr. Siu Hi Lam, Alick.

This announcement will remain on the "Latest Company Announcement" page of the GEM Website for at least 7 days from the day of its publication and on the website of the Company at www.sig.hk.