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 2013

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 2013

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 2013, together with the comparative figures for the year ended 31 December 2012 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Notes	**Year ended 31 December 2013 HK$'000**	Year ended 31 December 2012 HK$'000 (Restated) (Note 1)
Revenue	2	**39,427**	9,723
Cost of sales	8		
– Impairment loss on cemetery assets use rights		**(230,160)**	–
– Others		**(25,184)**	(2,833)
Gross (loss)/profit		**(215,917)**	6,890
Other income	3(a)	**1,795**	893
Other losses, net	3(b)	**(11,174)**	(9,236)
Sales and marketing expenses	8	**(14,769)**	(3,296)
Administrative expenses	8		
– Impairment loss on property, plant and equipment		**(11,193)**	–
– Share-based payment		**(1,978)**	(3,758)
– Others		**(47,465)**	(39,090)
Operating loss		**(300,701)**	(47,597)
Finance income	4	**375**	8,909
Finance costs	4	**(8,970)**	(3,643)
		(309,296)	(42,331)
Share of loss of a joint venture		**–**	(2,690)
Loss before taxation	8	**(309,296)**	(45,021)
Income tax credit/(expense)	5	**59,590**	(396)
Loss for the year		**(249,706)**	(45,417)
Loss attributable to:			
Owners of the Company		**(130,332)**	(45,327)
Non-controlling interests		**(119,374)**	(90)
		(249,706)	(45,417)
Loss per share attributable to owners of the Company during the year (expressed in HK$ per share)	6		
– Basic		**HK$(0.086)**	HK$(0.034)
– Diluted		**HK$(0.086)**	HK$(0.034)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated) (Note 1)
Loss for the year	**(249,706)**	(45,417)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**3,049**	357
Total comprehensive loss for the year	**(246,657)**	(45,060)
Total comprehensive loss for the year attributable to:		
Owners of the Company	**(127,826)**	(45,012)
Non-controlling interests	**(118,831)**	(48)
	(246,657)	(45,060)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	**As at 31 December 2013 HK$'000**	As at 31 December 2012 HK$'000 (Restated) (Note 1)	As at 1 January 2012 HK$'000 (Restated) (Note 1)
Assets				
Non-current assets				
Property, plant and equipment		**51,317**	35,453	12,543
Intangible assets		**29,266**	13,189	10,433
Interests in a joint venture		**–**	140,048	142,738
Cemetery assets use rights		**260,092**	–	–
Deposits for non-current assets		**24,848**	25,812	27,741
		365,523	214,502	193,455
Current assets				
Inventories		**113,836**	11,886	12,083
Prepayments, deposits and other receivables		**2,505**	9,360	1,103
Balance with a joint venture		–	36,728	24,658
Derivative financial instrument		**583**	1,771	2,461
Cash and cash equivalents		**8,426**	11,260	32,045
		125,350	71,005	72,350
Liabilities				
Current liabilities				
Trade payables	9	**1,132**	353	428
Loan from a non-controlling interest		**2,535**	–	–
Other payables and accruals		**25,211**	12,254	5,399
Deferred income		**154**	–	–
Other borrowings		**26,843**	–	–
Convertible bonds				
– not classified as share-based payment transactions		**–**	–	28,848
		55,875	12,607	34,675
Net current assets		**69,475**	58,398	37,675
Total assets less current liabilities		**434,998**	272,900	231,130

	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated) (Note 1)	As at 1 January 2012 HK$'000 (Restated) (Note 1)
Non-current liabilities			
Other payables and accruals	**–**	1,076	–
Deferred income	**2,487**	–	–
Deferred income tax liabilities	**83,716**	5,321	4,894
Other borrowings	**40,252**	–	–
Convertible bonds			
– classified as share-based payment transactions	**96,148**	85,564	76,131
– not classified as share-based payment transactions	**24,393**	22,062	–
	246,996	114,023	81,025
Net assets	**188,002**	158,877	150,105
Capital and reserves			
Share capital	**3,795**	3,795	2,530
Reserves	**31,356**	134,482	126,927
Equity attributable to owners of the Company	**35,151**	138,277	129,457
Non-controlling interests	**152,851**	20,600	20,648
	188,002	158,877	150,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention except for derivative financial instruments and convertible bonds which are measured at fair value, as appropriate.

1.1 (a) New standards, amendments to standards and interpretations adopted by the Group

During the year, the Group adopted HKFRS 11, 'Joint arrangements' which is mandatory for financial year beginning on or after 1 January 2013.

HKFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of joint arrangements is no longer permitted.

The directors of the Company reviewed and assessed the classification of the Group's investment in joint arrangement in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investment in Era Investment (Holding) Inc. ("EIHI"), which was classified as a jointly-controlled entity for the year ended 31 December 2012 under HKAS 31 and was accounted for using the proportionate consolidation method, should be classified as a joint venture under HKFRS 11 and accounted for using the equity method. The Group recognised its investment in the joint venture at the beginning of the earliest period presented (1 January 2012), as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the deemed cost of the Group's investment in the joint venture for applying equity accounting.

The effect of the change in the Group's accounting policy described above is as follows:

Impact of change in accounting policy on consolidated income statement

	For the year ended 31 December 2012 (As previously stated) HK$'000	Equity accounting for EIHI HK$'000	For the year ended 31 December 2012 (Restated) HK$'000
Revenue	16,869	(7,146)	9,723
Cost of sales	(8,877)	6,044	(2,833)
Gross profit	7,992	(1,102)	6,890
Other income	896	(3)	893
Other losses, net	(9,236)	–	(9,236)
Sales and marketing expenses	(4,333)	1,037	(3,296)
Administrative expenses			
– Share-based payment	(3,758)	–	(3,758)
– Others	(43,469)	4,379	(39,090)
Operating loss	(51,908)	4,311	(47,597)
Finance income	8,909	–	8,909
Finance costs	(4,766)	1,123	(3,643)
	(47,765)	5,434	(42,331)
Share of loss of a joint venture	–	(2,690)	(2,690)
Loss before taxation	(47,765)	2,744	(45,021)
Income tax credit/(expense)	1,279	(1,675)	(396)
Loss for the year	(46,486)	1,069	(45,417)
Loss attributable to:			
– Owners of the Company	(45,327)	–	(45,327)
– Non-controlling interest	(1,159)	1,069	(90)
	(46,486)	1,069	(45,417)

Impact of change in accounting policy on consolidated statement of financial position

	As at 31 December 2012 (As previously stated) HK$'000	Equity accounting for EIHI HK$'000	As at 31 December 2012 (Restated) HK$'000	As at 1 January 2012 (As previously stated) HK$'000	Equity accounting for EIHI HK$'000	As at 1 January 2012 (Restated) HK$'000
Assets						
Non-current assets						
Property, plant and equipment	48,680	(13,227)	35,453	16,557	(4,014)	12,543
Intangible assets	25,375	(12,186)	13,189	22,547	(12,114)	10,433
Interest in a joint venture	–	140,048	140,048	–	142,738	142,738
Cemetery assets use rights	212,765	(212,765)	–	225,115	(225,115)	–
Deposits for non-current assets	25,972	(160)	25,812	27,741	–	27,741
	312,792	(98,290)	214,502	291,960	(98,505)	193,455
Current assets						
Inventories	80,959	(69,073)	11,886	72,134	(60,051)	12,083
Prepayments, deposits and other receivables	9,737	(377)	9,360	1,670	(567)	1,103
Balance with a joint venture	18,364	18,364	36,728	12,329	12,329	24,658
Derivative financial instrument	1,771	–	1,771	2,461	–	2,461
Cash and cash equivalents	11,545	(285)	11,260	33,949	(1,904)	32,045
	122,376	(51,371)	71,005	122,543	(50,193)	72,350
Liabilities						
Current liabilities						
Trade payables	867	(514)	353	502	(74)	428
Loan from a non-controlling interest	1,229	(1,229)	–	1,222	(1,222)	–
Other payables and accruals	20,732	(8,478)	12,254	12,107	(6,708)	5,399
Income tax payable	–	–	–	5	(5)	–
Other borrowings	1,229	(1,229)	–	1,222	(1,222)	–
Convertible bonds – not classified as share-based payment transactions	–	–	–	28,848	–	28,848
	24,057	(11,450)	12,607	43,906	(9,231)	34,675
Net current assets	98,319	(39,921)	58,398	78,637	(40,962)	37,675
Total assets less current liabilities	411,111	(138,211)	272,900	370,597	(139,467)	231,130
Non-current liabilities						
Other payables and accruals	2,586	(1,510)	1,076	1,437	(1,437)	–
Deferred income tax liabilities	70,688	(65,367)	5,321	71,556	(66,662)	4,894
Other borrowings	14,539	(14,539)	–	14,715	(14,715)	–
Convertible bonds						
– classified as share-based payment transactions	85,564	–	85,564	76,131	–	76,131
– not classified as share-based payment transactions	22,062	–	22,062	–	–	–
	195,439	(81,416)	114,023	163,839	(82,814)	81,025
Net assets	215,672	(56,795)	158,877	206,758	(56,653)	150,105
Equity						
Capital and reserves						
Share capital	3,795	–	3,795	2,530	–	2,530
Reserves	143,744	(9,262)	134,482	135,141	(8,214)	126,927
Equity attributable to owners of the Company	147,539	(9,262)	138,277	137,671	(8,214)	129,457
Non-controlling interests	68,133	(47,533)	20,600	69,087	(48,439)	20,648
	215,672	(56,795)	158,877	206,758	(56,653)	150,105

Impact of change in accounting policy on consolidated statement of cash flows

	For the year ended 31 December 2012 (As previously stated) HK$'000	Equity accounting for EIHI HK$'000	For the year ended 31 December 2012 (Restated) HK$'000
Operating activities:			
Loss before taxation	(47,765)	2,744	(45,021)
Adjustments for:			
Depreciation of property, plant and equipment	2,349	(710)	1,639
Amortisation of software license	4	(4)	–
Impairment charge of intangible assets	629	–	629
Equity-settled share options expenses	411	–	411
Equity-settled warrant shares expenses	3,347	–	3,347
Fair value changes on financial instrument	9,270	–	9,270
Share of loss from investments accounted for using equity method	–	2,690	2,690
Loss on disposal of property, plant and equipment	1,235	(572)	663
Finance income	(8,909)	–	(8,909)
Finance costs	4,766	(1,123)	3,643
Income tax paid	(5)	5	–
Operating cash flows before movements in working capital	(34,668)	3,030	(31,638)
Decrease in inventories	541	(300)	241
Decrease/(increase) in cemetery assets use rights	4,647	(4,691)	(44)
Increase in prepayments,deposits and other receivables	(8,021)	(29)	(8,050)
Increase in balances with a jointly-controlled entity	(6,035)	(6,035)	(12,070)
Increase/(decrease) in trade payables	365	(440)	(75)
Increase in other payables and accruals	7,869	(967)	6,902
Cash used in operations	(35,302)	(9,432)	(44,734)
Interest received	217	–	217
Interest paid	(300)	–	(300)
Net cash used in operating activities	(35,385)	(9,432)	(44,817)
Investing activities			
Purchase of property, plant and equipment	(19,906)	10,474	(9,432)
Deposit for land use rights	(13,574)	–	(13,574)
Acquisition of a subsidiary	153	(582)	(429)
Additions to intangible assets	(2,906)	6	(2,900)
Net cash used in investing activities	(36,233)	9,898	(26,335)
Financing activities			
Proceeds from rights issue, net of issuance costs	50,074	–	50,074
Repayment of other borrowings	(1,229)	1,229	–
Net cash generated from financing activities	48,845	1,229	50,074
Net decrease in cash and cash equivalents	(22,773)	1,695	(21,078)
Cash and cash equivalents at beginning of the year	33,949	(1,904)	32,045
Effects of foreign exchange rate changes, net	369	(76)	293
Cash and cash equivalents at end of the year	11,545	(285)	11,260

During the year, the Group adopted HKFRS 10, "Consolidated financial statements", HKFRS 12, 'Disclosure of interests in other entities', and HKFRS 13, 'Fair value measurement' for financial year beginning on or after 1 January 2013.

HKFRS 10, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Upon the execution of the Undertaking entered into with the shareholder of EIHI, management has concluded that the Group has sufficiently dominating voting interest to have the power to direct the relevant entities of EIHI. As a result, EIHI has been fully consolidated into these consolidated financial statements.

HKFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The Group has made relevant additional disclosures in the consolidated financial statements.

HKFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group has made relevant additional disclosures in the consolidated financial statements.

The following new standards, amendments to standards and interpretations are also mandatory for financial year beginning on or after 1 January 2013. The adoption of these new standards, amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKAS 1 (Amendment)	Financial statements presentation
HKAS 19 (revised 2011)	Employee benefits
HKAS 27 (revised 2011)	Separate financial statements
HKAS 28 (revised 2011)	Associates and joint ventures
HK (IFRIC) – Int 20	Stripping costs in the production phase of a surface mine
HKFRS 1 (Amendment)	Government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures

(b) New standards, amendments to standards and interpretations that have been issued but are not effective

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2013, and have not been early adopted by the Group.

HKAS 19 (Amendment)	Defined benefit plan[2]
HKAS 32 (Amendment)	Financial instruments: Presentation[1]
HKAS 36 (Amendment)	Impairment of assets on recoverable amount disclosures[1]
HKAS 39 (Amendment)	Novation of derivatives[1]
HK (IFRIC) – Int 21	Levies[1]
HKFRS 9	Financial instruments[3]
HKFRS 9, HKFRS 12 and HKAS 27	Consolidation for investment entities[1]
Annual improvements	Annual improvements 2012[2]
Annual improvements	Annual improvements 2013[2]

(1) Effective for the Group for annual period beginning on 1 January 2014
(2) Effective for the Group for annual period beginning on 1 July 2014
(3) Effective for the Group for annual period beginning on 1 January 2015

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.

2. OPERATING SEGMENT INFORMATION

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

In Mainland China, the Group mainly derives its revenue from the sales of interments right and cemetery related merchandise and the rendering of funeral services. In Hong Kong, the Group mainly derives its revenue from the rendering of funeral services and sales of related merchandise.

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 joint venture 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 2013 are as follows:

	Mainland China HK$'000	Hong Kong HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	**27,650**	**11,777**	**39,427**
Operating loss	**(256,184)**	**(8,283)**	**(264,467)**
Unallocated corporate expenses, net			**(36,234)**
Finance income			**375**
Finance costs			**(8,970)**
Loss before taxation			**(309,296)**
Segment assets	**478,491**	**5,579**	**484,070**
Property, plant and equipment			**1,471**
Intangible assets			**2,700**
Prepayments, deposits and other receivables			**592**
Derivative financial instrument			**583**
Cash and cash equivalents			**1,457**
Total assets			**490,873**
Segment liabilities	**(147,076)**	**(1,195)**	**(148,271)**
Other payables and accruals			**(8,579)**
Amounts due to shareholders			**(480)**
Other borrowings			**(25,000)**
Convertible bonds			
– classified as share-based payment transactions			**(96,148)**
– not classified as share-based payment transactions			**(24,393)**
Total liabilities			**(302,871)**
Other segment information:			
Depreciation and amortisation	**2,465**	**859**	**3,324**
Unallocated depreciation and amortisation			**915**
			4,239
Capital expenditure	**1,832**	**1,977**	**3,809**
Unallocated capital expenditure			**–**
			3,809

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

	Mainland China HK$'000 (Restated)	Hong Kong HK$'000 (Restated)	Total HK$'000 (Restated)
Segment revenue:			
Sales to external customers	6,989	2,734	9,723
Operating loss	(9,760)	(6,656)	(16,416)
Unallocated corporate expenses, net			(31,181)
Share of loss of a joint venture			(2,690)
Finance income			8,909
Finance costs			(3,643)
Loss before taxation			(45,021)
Segment assets	82,983	8,501	91,484
Property, plant and equipment			2,513
Intangible assets			3,096
Interests in a joint venture			140,048
Amount due from a joint venture			36,728
Prepayments, deposits and other receivables			7,774
Derivative financial instrument			1,771
Cash and cash equivalents			2,093
Total assets			285,507
Segment liabilities	(9,304)	(719)	(10,023)
Other payables and accruals			(6,605)
Amounts due to shareholders			(480)
Amount due to a director			(1,896)
Convertible bonds			(107,626)
Total liabilities			(126,630)
Other segment information:			
Depreciation and amortisation	311	194	505
Unallocated depreciation and amortisation			1,134
			1,639
Capital expenditure	19,512	1,849	21,361
Unallocated capital expenditure			6,712
			28,073

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

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Sales of interments right and related products	**19,876**	–
Rendering of funeral and cremation services	**19,470**	9,723
Management service	**81**	–
	39,427	9,723

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 2013 (2012: Nil).

The Company is domiciled in Hong Kong. The Group's result of its revenue from external customers in Hong Kong is HK$11,777,000 (2012: HK$2,734,000) and total revenue from external customers in Mainland China is HK$27,650,000 (2012 (Restated): HK$6,989,000).

3. OTHER INCOME AND OTHER LOSSES, NET

The Group's other income and other losses presented on the face of the consolidated income statement is analysed as follows:

(a) Other income

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Rental income	**909**	246
Sundry income	**886**	647
	1,795	893

(b) Other losses, net

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Gain on disposal of a subsidiary	**135**	–
Gain on deemed disposal of a joint venture	**463**	–
Foreign exchange gain, net	**–**	34
Fair value changes on financial instruments	**(11,772)**	(9,270)
	(11,174)	(9,236)

Note: Fair value changes on financial instruments consisted of (i) fair value loss on derivative financial instrument of HK$1,188,000 (2012: fair value gain of HK$163,000) and (ii) fair value loss on convertible bonds classified as share-based payment transactions of HK$10,584,000 (2012: HK$9,433,000).

4. FINANCE INCOME AND COSTS

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

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Interest on:		
– Other borrowings wholly repayable within five years	**(3,292)**	(79)
– Other borrowings wholly repayable after five years	**(2,125)**	–
– Convertible bonds	**(3,553)**	(3,802)
Finance costs	**(8,970)**	(3,881)
Less: amounts capitalised on qualifying assets	**–**	238
Total finance costs	**(8,970)**	(3,643)
Finance income:		
– Gain arising on extinguishment of a convertible bond	**–**	8,485
– Interest income on short-term bank deposits	**10**	135
– Interest income on notes receivable	**365**	207
– Others	**–**	82
Total finance income	**375**	8,909
Net finance (costs)/income	**(8,595)**	5,266

5. INCOME TAX CREDIT/(EXPENSE)

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Current income tax	**(91)**	–
Deferred income tax	**59,681**	(396)
Income tax credit/(expense)	**59,590**	(396)

Hong Kong profits tax is calculated at 16.5% (2012: 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 (2012: Nil).

The PRC subsidiaries are subject to the PRC corporate income tax at 25% (2012: 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 (2012: 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 ended 31 December 2012). 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 joint venture are domiciled to the tax expense at the effective tax rates are as follows:

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Loss before taxation	**(309,296)**	(45,021)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**65,741**	3,907
Income not subject to tax	**833**	66
Expenses not deductible for tax	**(2,975)**	(863)
Others	**124**	109
Tax losses for which no deferred income tax asset was recognised	**(4,133)**	(3,615)
Income tax credit/(expense)	**59,590**	(396)

6. 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.

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.

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000
Loss attributable to owners of the Company	**(130,332)**	(45,327)
Weighted average number of ordinary shares in issue (in thousands)	**1,517,838**	1,324,767

(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.

The dilution potential ordinary shares in respect of the Company's outstanding share options, convertible bonds and warrants are anti-dilutive for the years ended 31 December 2013 and 31 December 2012.

7. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil).

8. LOSS BEFORE TAXATION

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

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000 (Restated)
Cost of inventories recognised as expense		
– cemetery assets use rights	**18,988**	–
– cemetery merchandises	**6,196**	2,833
– Impairment loss on cemetery assets use rights	**230,160**	–
Employees benefits expenses	**25,985**	18,479
Depreciation of property, plant and equipment	**4,239**	1,639
Auditors' remuneration	**1,450**	1,450
(Gain)/loss on disposal of property, plant and equipment	**(309)**	1,235
Equity-settled warrant shares expenses for non-employee	**494**	1,950
Equity-settled share options expenses for non-employees	**–**	411
Minimum lease payments under operating leases in respect of land and buildings	**4,812**	3,372

9. 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 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated)	As at 1 January 2012 HK$'000 (Restated)
Within 30 days	**200**	165	13
31-60 days	**88**	35	–
61-90 days	**147**	–	–
91 days-1 year	**487**	–	160
Over 1 year	**210**	153	255
	1,132	353	428

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.

10. EVENTS AFTER THE REPORTING PERIOD

On 10 March 2014, the Company entered into a loan agreement for a revolving facilities of up to HK$50 million with an independent third party, the loan is interest bearing of 12% per annum and the facilities line is available for 2 years from the date of the loan agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND OPERATION REVIEW

As at 31 December 2013, we have two licensed funeral undertaking shops in Hong Kong, three cemeteries, one funeral parlour, and one crematorium in China. Our operations are managed across three main areas: cemeteries management and operation, funeral services, and preneed funeral plans.

For the year ended 31 December 2013, the revenue of the Group has increased by 305.50% to approximately HK$39,427,000 (31 December 2012: HK$9,723,000). With the amount of approximately HK$19,957,000 (31 December 2012: nil) was generated from the sales of cemetery plots in the PRC, and HK$19,470,000 (31 December 2012: HK$9,723,000) was derived from the provision of funeral services in Hong Kong and cremation services in the PRC during the year. The significant increase in revenue was mainly due to the effect of a 100% full consolidation of the results of Era Investment (Holding) Inc. ("EIHI"), a previous jointly-controlled entity of the Group, following an unconditional irrevocable undertaking (the "Undertaking") provided by Forrex (Holding) Inc. ("Forrex"), a partner of EIHI, on 16 January 2013, in favour of Grand Creation Investments Limited ("Grand Creation"), a wholly owned subsidiary of the Company.

Pursuant to the Undertaking, Forrex shall vest to Grand Creation all of the voting rights enjoyed by Forrex in respect of its 50% equity interest in EIHI from time to time. Following the Undertaking, EIHI, which hold a 75% interests in Suzhou Cemetery, become a subsidiary of the Group. In corresponding prior year, the 50% of the results of EIHI was accounted for under the equity method. Apart from the effect of the Undertaking, the increase of revenue was also explained by rise of provision of funeral services in Hong Kong during the year.

For the year ended 31 December 2013, the Group recorded a gross loss (including the exceptional loss on impairment of cemetery asset rights of HK$230 million) of approximately HK$215,917,000 (31 December 2012: gross profit HK$6,890,000). If the impairment loss was excluded, the Group recorded a positive figure of approximately HK$14,243,000 and the overall gross profit margin calculated on this basis was 36.12% (31 December 2012: 70.86%). Decrease in margin is due to the fact that there is more funeral services income generated for this year with relatively lower gross margin. The loss for the year ended 31 December 2013 was approximately HK$249,706,000 while there was approximately HK$45,417,000 of loss incurred for the year ended 31 December 2012. The significant increase in loss for the year was due to the impairment loss on the cemetery assets use rights of approximately HK$230,160,000, impairment loss on the property plant and equipment of approximately HK$11,193,000 and fair value loss of financial instruments of approximately HK$11,772,000, respectively. All these items are non-cash items.

Sales and marketing expenses

Sales and marketing expenses for 2013 were HK$14,769,000, which have increased significantly from HK$3,296,000 in prior year. The expenses were mainly associated with respective sales and marketing staff costs, sales commission for funeral services in Hong Kong and China and corporate marketing promotion events such as the Senior Fair Exhibition held at Hong Kong Convention and Exhibition Center.

Such increase in marketing expense is to boost the sales in the initial set up stage and this effort will gradually be reduced in the following year after the sales platform has been set up almost completely in 2013.

Administrative expenses

Administrative expenses have increased from HK$42,848,000 in 2012 to HK$60,636,000 in 2013. The administrative expenses comprised mainly of the director's remuneration, staff costs, premises expenses and other corporate expenses. The increase is in line with the increase in the Group's activities during the year.

Finance income and costs

As at 31 December 2013, the finance income of the Group was approximately HK$375,000 (31 December 2012: HK$8,909,000). Prior year finance income relates to the gain arising on extinguishment of a convertible bond. Finance costs for 2013 were HK$8,970,000, representing an increase of 146.23% over HK$3,643,000 for 2012. The increment mainly derived from the interest expense on other additional borrowings for financing the working capital of the Group during the year which interest rate is relatively high from 15% to 19%.

Operation review – Hong Kong

The Group's business plan was actively deployed during the year and new funeral service package and innovative products such as Sage Eternity Gem and preneed services contracts were launched. At the same time, exhibition, promotion and networking activities were also carried out actively during the year. The Group was also the sole service provider for sea burial of the Hong Kong Government during the year. Moreover, the Group participated in several exhibition and expositions in Hong Kong to promote its funeral and related products and services. It is also the winner of two awards in the Asia Funeral Expo held in Hong Kong and is a "Caring Company" awarded by the Hong Kong Council of Social Services. Strategies and actions for developing customer loyalty and awareness were developed and rolled out accordingly in the coming year. The Group also continues its collaboration with regional non-governmental organisations, corporate partners and industry players to develop innovative products, distribution network and services for families in needs. The Groups also invested and equipped with modernized funeral services facilities like a brand new mercedes hearse, POS and CRM system to ensure high quality of services were delivered.

The Board is satisfied with the current development of the Hong Kong Funeral Business and is expecting a more solid and fruitful result will be achieved in the upcoming years due to a good foundation was being setting up.

Operation review – China

The Group's major operating cemetery asset is Suzhou Celebrities which was held by EIHI and EIHI became a 50% subsidiary of Group at the beginning of 2013. Active marketing and sales plans of Suzhou Celebrities have been implementing since the early of 2013 to boost the sales. The management also organized exhibitions and promotion campaigns in Suzhou and Shanghai regions and reached out to a number of potential customers during the year. However, during the ongoing monitoring, it was noted that the actual revenue growth is behind management's expectation as compared to the business plan originally formulated at the beginning of 2013. It is estimated that a longer time frame will be necessary for building up customer loyalty and awareness that will generate a more significant sales growth. Moreover, the growth of average selling price of the burial unit in the local region also experienced pressure during the year due to the slow down of the economy of the local market. The management has revised the sales and operation plan in the second half of the year and there has been gradual improvement in the result in the final quarter. However, the actual performance during the last quarter is still behind the revised budget. For this reason, an impairment of HK$226 million is necessary to be made for the year ended 31 December 2013 for this intangible asset. Such loss is a non-cash item and do not have a direct impact on the Group's operation and cashflow.

Despite the plan for setting up the cemetery in 2012, Cemetery in Huaiji only obtained all its relevant approvals and started marketing and sales of interments rights in September 2013 due to delay in government approval process. For this reason, the overall sales generated from this cemetery were also less than the budget planned at the beginning of 2013. For this reason, impairment loss of HK$3.9 million was also made.

Besides, also due to delay in government approval and lengthened procedures relating to construction work, cemetery in Bijie is still under progress and actual sales activities will not be expected to be achieved shortly. The Group will closely monitor this development.

After reviewing all these recent developments, the Group expects a longer payback period for its cemetery assets may be needed and the related cash flow expected to be generated from these cemetery assets may also be deferred as compared to the original plan set in early 2013. Suitable measures including disposal of the cemetery assets and restructuring of business model are under consideration to monitor impact of such development. Moreover, appropriate integration and restructuring on the operation of the funeral and cemetery operation will be done to improve operating efficiency too.

Prospects

The Board still sees the huge potential of the market demand in funeral services and products and its view on the positive long-term outlook of regional deathcare industry remain intact. With the experience and market knowledge gained by the Group over the past years in the deathcare industry, the Group is in its second stage of development in this industry. Under the framework, the Board is pursuing to improve the business model and streamline its operating structure and a "light asset mode" may be adopted to reduce the financial and operating burden of the Group. This will be achieved by leveraging its technology knowhow, existing network and human capital resources established in the funeral industry. Also, suitable resources will also be allocated to international business development. Moreover, in order to provide a strong capital structure for a long term development in the deathcare sector, the Group will continue to seek any suitable opportunities in fund raising or means to improve the existing capital and debt structure.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group has cash and bank balances of approximately HK$8,426,000 (as at 31 December 2012: HK$11,260,000) and the total assets of the Group were HK$490,873,000 (as at 31 December 2012: HK$285,507,000). The net current assets of the Group were HK$69,475,000 (as at 31 December 2012: HK$58,398,000) and the Group's current ratio, which represents the current assets over its current liabilities, was 2.24 times (as at 31 December 2012: 5.63 times). The Board is aware of the fact that the financial position of the Group is becoming less favourable due to the continuing operating loss during the year and therefore new borrowings were secured by the Group for financing its working capital. The Gearing ratio of the Group as at 31 December 2013 (as calculated by the total interest bearing debts of HK$68,490,000 over equity attributable to the owners of the Company of HK$35,151,000) is 194.85% (2012: 29.54%). Under this situation, the Company will consider suitable ways to improve the high gearing financial position.

INVESTMENT POSITION AND PLANNING

The Group will continuously undertake research and identify potential deathcare related investment opportunities to enhance its investment portfolio.

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group had 125 employees and including Directors (31 December 2012: 93). Total staff costs for the year ended 31 December 2013, including Directors' remuneration, amounted to approximately HK$25,985,000 (31 December 2012: approximately HK$18,479,000). The Group's employees remuneration packages are mainly on the basis of individual performance and experience and also having industry practice, which include basic wages and performance related bonuses. The Group also provides provident fund schemes and medical insurance scheme for its employees. The Company also grants share options to the Directors and eligible employees.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets and the Group did not have any significant contingent liabilities for the year ended 31 December 2013 and 2012.

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 2013.

DIRECTORS' SECURITIES TRANSACTIONS

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 a 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 2013.

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 2013, 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's corporate governance practices (the "Principles") and code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained 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 the 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 2013 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 2013 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 2013 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, 14 March 2014

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.