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 2014

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

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

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

CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014, together with the comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	**2014** **HK$'000**	2013 HK$'000 (Restated)
Continuing operations			
Revenue	2	**11,635**	19,470
Cost of sales		**(4,771)**	(8,701)
Gross profit		**6,864**	10,769
Other income	3(a)	**947**	1,204
Other losses, net	3(b)	**(520)**	(172)
Sales and marketing expenses	4	**(3,848)**	(9,407)
Administrative expenses	4	**(24,624)**	(23,887)
Operating loss		**(21,181)**	(21,493)
Finance income	5	**3**	368
Finance costs	5	**(6,220)**	(3,491)
Loss before taxation	4	**(27,398)**	(24,616)
Income tax expense	6	**(172)**	(159)
Loss for the year from continuing operations		**(27,570)**	(24,775)
Discontinued operations			
Loss for the year from discontinued operations	9	**(32,714)**	(224,931)
Loss for the year		**(60,284)**	(249,706)
Loss attributable to:			
Owners of the Company		**(60,436)**	(130,332)
Non-controlling interests		**152**	(119,374)
		(60,284)	(249,706)
Loss attributable to owners of the Company arises from:			
Continuing operations		**(27,737)**	(24,985)
Discontinued operations		**(32,699)**	(105,347)
		(60,436)	(130,332)

	Note	2014	2013 (Restated)
Loss per share from continuing and discontinued operations attributable to owners of the Company for the year (expressed in HK$ per share)	8		
Basic loss per share			
From continuing operations		**(0.17)**	(0.16)
From discontinued operations		**(0.20)**	(0.68)
From loss for the year		**(0.37)**	(0.84)
Diluted loss per share			
From continuing operations		**(0.17)**	(0.16)
From discontinued operations		**(0.20)**	(0.68)
From loss for the year		**(0.37)**	(0.84)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$'000	HK$'000
		(Restated)
Loss for the year	**(60,284)**	(249,706)
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(2,835)**	3,049
Total comprehensive loss for the year	**(63,119)**	(246,657)
Total comprehensive loss for the year attributable to:		
Owners of the Company	**(62,736)**	(127,826)
Non-controlling interests	**(383)**	(118,831)
	(63,119)	(246,657)
Total comprehensive loss attributable to owners of the Company arises from:		
Continuing operations	**(27,791)**	(24,561)
Discontinued operations	**(34,945)**	(103,265)
	(62,736)	(127,826)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**12,440**	51,317
Intangible assets		**13,242**	29,266
Cemetery assets use rights		**–**	260,092
Deposits		**210**	24,848
		25,892	365,523
Current assets			
Inventories		**201**	113,836
Prepayments, deposits and other receivables		**1,034**	2,505
Derivative financial instrument		**–**	583
Cash and cash equivalents		**5,897**	8,426
		7,132	125,350
Assets of disposal group classified as held-for-sale	9	**444,746**	–
		451,878	125,350
Liabilities			
Current liabilities			
Trade payables	10	**306**	1,132
Loan from a non-controlling interest		**–**	2,535
Other payables and accruals		**14,454**	25,211
Deferred income		**158**	154
Other borrowings		**10,000**	26,843
Convertible bonds			
– classified as share-based payment transactions		**19,617**	–
		44,535	55,875
Liabilities of disposal group classified as held-for-sale	9	**263,212**	–
		307,747	55,875
Net current assets		**144,131**	69,475
Total assets less current liabilities		**170,023**	434,998

	Note	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Deferred income		**1,452**	2,487
Deferred income tax liabilities		**2,550**	83,716
Other borrowings		**32,000**	40,252
Convertible bonds			
– classified as share-based payment transactions		**–**	96,148
– not classified as share-based payment transactions		**–**	24,393
		36,002	246,996
Net assets		**134,021**	188,002
Equity			
Capital and reserves			
Share capital		**4,441**	3,795
Reserves		**(22,888)**	31,356
Equity attributable to owners of the Company		**(18,447)**	35,151
Non-controlling interests		**152,468**	152,851
		134,021	188,002

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.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

(a) Amendments to standards and interpretations adopted by the Group

The following amendments to standards and interpretations are mandatory for financial year beginning on or after 1 January 2014. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2014, and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements Project	Annual Improvements 2010-2012 Cycle	1 July 2014
Annual Improvements Project	Annual Improvements 2011-2013 Cycle	1 July 2014
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

The Group has already commenced an assessment of the related impact of adopting the other new standards and amendments to 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 and amendments to standards when they become mandatory.

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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.

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 and operating cash.

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

As at 31 December 2014, the cemetery business group has been classified as assets or liabilities of disposal group held for sale and the comparative segment information have been reclassified to discontinued operation for presentation consistency.

The segment results and other segment items for the year ended 31 December 2014 are as follows:

	Mainland China HK$'000	Hong Kong HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	**8,192**	**3,443**	**11,635**
Operating income/(loss)	**718**	**(5,975)**	**(5,257)**
Unallocated corporate expenses, net			**(15,924)**
Finance income			**3**
Finance costs			**(6,220)**
Loss before taxation			**(27,398)**
Segment assets	**20,621**	**5,211**	**25,832**
Property, plant and equipment			**4**
Intangible assets			**2,700**
Prepayments, deposits and other receivables			**62**
Cash and cash equivalents			**4,426**
Assets of disposal group classified as held for sale			**444,746**
Total assets			**477,770**
Segment liabilities	**(4,766)**	**(1,511)**	**(6,277)**
Other payables and accruals			**(12,643)**
Other borrowings			**(42,000)**
Convertible bonds			
– classified as share-based payment transactions			**(19,617)**
Liabilities of disposal group classified as held for sale			**(263,212)**
Total liabilities			**(343,749)**
Other segment information:			
Depreciation and amortisation	**883**	**1,348**	**2,231**
Unallocated depreciation and amortisation			**–**
			2,231
Capital expenditure	**3,295**	**829**	**4,124**
Unallocated capital expenditure			**–**
			4,124

The segment results and other segment items for the year ended 31 December 2013 are as follows:

	Mainland China HK$'000 (Restated)	Hong Kong HK$'000 (Restated)	Total HK$'000 (Restated)
Segment revenue:			
Sales to external customers	7,693	11,777	19,470
Operating income/(loss)	845	(8,283)	(7,438)
Unallocated corporate expenses, net			(14,055)
Finance income			368
Finance costs			(3,491)
Loss before taxation			(24,616)
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			(9,059)
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)

	Mainland China HK$'000 (Restated)	Hong Kong HK$'000 (Restated)	Total HK$'000 (Restated)
Other segment information:			
Depreciation and amortisation	597	1,563	2,160
Unallocated depreciation and amortisation			18
			2,178
Capital expenditure	2,780	1,977	4,757
Unallocated capital expenditure			55
			4,812

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

	2014 **HK$'000**	2013 HK$'000 (Restated)
Rendering of funeral and cremation services	**11,635**	19,470

The Group does not have any major customer which accounts for 10% or more of the total revenue of the Group for the year ended 31 December 2014 and 31 December 2013.

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong is HK$3,443,000 (2013 (Restated): HK$11,777,000) and total revenue from external customers in Mainland China is HK$8,192,000 (2013 (Restated): HK$7,693,000).

3 OTHER INCOME AND OTHER LOSSES, NET

The Group's other income and other losses, net are analysed as follows:

(a) Other income

	2014 HK$'000	2013 HK$'000 (Restated)
Rental income	**315**	909
Sundry income	**632**	295
	947	1,204

(b) Other losses, net

	2014 HK$'000	2013 HK$'000 (Restated)
Gain on disposal of a subsidiary	**–**	135
Fair value changes on financial instruments	**(520)**	(307)
	(520)	(172)

Note: Fair value changes on financial instruments consisted of fair value loss on convertible bonds classified as share-based payment transactions of HK$520,000 (2013 (Restated): HK$307,000).

4 LOSS BEFORE TAXATION

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

	2014 HK$'000	2013 HK$'000 (Restated)
Cost of inventories recognised as expense	**645**	966
Employees benefits expenses	**8,885**	12,540
Depreciation of property, plant and equipment	**2,231**	2,178
Auditors' remuneration	**1,450**	1,450
Equity-settled warrant shares expenses for non-employee	**–**	494
Minimum lease payments under operating leases in respect of land and buildings	**1,843**	1,096

5 FINANCE INCOME AND COSTS

The Group's finance income and costs are analysed as follows:

	2014	2013
	HK$'000	HK$'000
		(Restated)
Interest on:		
– Other borrowings wholly repayable within five years	**(5,920)**	(3,191)
– Convertible bonds	**(300)**	(300)
Total finance costs	**(6,220)**	(3,491)
Finance income:		
– Interest income on short-term bank deposits	**3**	3
– Interest income on notes receivable	**–**	365
Total finance income	**3**	368
Net finance costs	**(6,217)**	(3,123)

6 INCOME TAX EXPENSE

	2014	2013
	HK$'000	HK$'000
		(Restated)
Current income tax	**(172)**	(91)
Deferred income tax	**–**	(68)
Income tax expense	**(172)**	(159)

Hong Kong profits tax is calculated at 16.5% (2013: 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 (2013: Nil).

The PRC subsidiaries are subject to the PRC corporate income tax at 25% (2013: 25%). 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 and its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	2014	2013
	HK$'000	HK$'000
		(Restated)
Loss before taxation	**(27,398)**	(24,616)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**1,382**	848
Income not subject to tax	**10**	38
Expenses not deductible for tax	**(597)**	(10)
Others	**(41)**	(68)
Tax losses for which no deferred income tax asset was recognised	**(926)**	(967)
Income tax expense	**(172)**	(159)

7 DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

8 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 11 July 2014, the Company issued 258,450,000 new ordinary shares through a share placement. The share placement was offered at HK$0.044 per share and represented a discount to the market price of the then existing shares.

On 1 September 2014, the Group consolidated ten then existing issued shares of HK$0.0025 and unissued share capital of the Company into one consolidated share of HK$0.025 in the issued and unissued share capital of the Company.

	2014 HK$'000	2013 HK$'000 (Restated)
Loss from continuing operations attributable to owners of the Company	**(27,737)**	(24,985)
Loss from discontinued operations attributable to owners of the Company	**(32,699)**	(105,347)
	(60,436)	(130,332)
Weighted average number of ordinary shares in issue (in thousands)	**165,559**	154,684

(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 dilutive 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 2014 and 31 December 2013.

9 NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

During the year ended 31 December 2014, the Group entered into a sale and purchase agreement to dispose of its 100% equity interests in Reliance Death Care Services Inc. and its subsidiaries, which mainly operates cemetery business in Mainland China, to Great World Investors Limited by setting off against two convertible bonds with face values of HK$30,750,000 (and the interest accrued thereon) and US$12,500,000 (equivalent to approximately HK$97,175,000) respectively, and loan from a director of HK$10,000,000. Management of the Group has finalised and committed a plan for such disposal as at 31 December 2014.

As the operation of the cemetery business group is considered as a separate major line of business, it is accounted for as a discontinued operation. The comparative financial information for the year ended 31 December 2013 has been reclassified to conform with current year presentation in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". The disposal was not yet completed as at 31 December 2014, but is expected to be completed within 12 months from the year end date. The disposal was completed subsequent to year end on 17 February 2015.

(a) Assets of disposal group classified as held for sale

	2014 HK$'000	2013 HK$'000
Property, plant and equipment	**37,820**	–
Intangible assets	**15,777**	–
Cemetery assets use rights	**240,190**	–
Inventories		–
– Cemetery assets use rights	**111,795**	–
– Construction cost and cemetery related merchandises	**7,278**	–
Prepayments, deposits and other receivables	**25,958**	–
Derivative financial instrument	**58**	–
Cash and cash equivalents	**5,870**	–
	444,746	–

(b) Liabilities of disposal group classified as held for sale

	2014 HK$'000	2013 HK$'000
Trade payables	**959**	–
Other payables and accruals	**19,870**	–
Deferred income	**1,454**	–
Deferred income tax liabilities	**77,995**	–
Other borrowings	**40,062**	–
Convertible bonds		
– classified as share-based payment transactions	**96,402**	–
– not classified as share-based payment transactions	**26,470**	–
	263,212	–

(c) Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets or disposal group, is as follows:

	2014 **HK$'000**	2013 HK$'000
Revenue	**31,445**	19,957
Expenses	**(64,790)**	(304,637)
Loss before tax of discontinued operations	**(33,345)**	(284,680)
Tax	**2,642**	59,749
Loss after tax of discontinued operations	**(30,703)**	(224,931)
Pre-tax loss recognised on the re-measurement of assets of disposal group	**(2,681)**	–
Tax	**670**	–
After tax loss recognised on the re-measurement of assets of disposal group	**(2,011)**	–
Loss for the year from discontinued operations	**(32,714)**	(224,931)

(d) Analysis of the expenses of discontinued operations is as follows:

	2014 **HK$'000**	2013 HK$'000
Cost of inventories recognised as expense		
– cemetery assets use rights	**7,563**	13,632
– cemetery merchandises	**1,532**	1,109
– impairment loss on cemetery assets use rights	**3,102**	230,160
Employees benefits expenses	**9,913**	13,445
Fair value changes on financial instruments	**19,875**	11,465
Depreciation of property, plant and equipment	**2,167**	2,061
Gain on disposal of property, plant and equipment	**–**	(156)
Impairment loss on property, plant and equipment	**–**	11,193
Minimum lease payments under operating leases in respect of land and buildings	**1,531**	3,716

(e) Cash flows

	2014 HK$'000	2013 HK$'000
Operating cash flows	**6,916**	(12,664)
Investing cash flows	**(2,952)**	(2,321)
Financing cash flows	**(3,865)**	12,207
Total cash flows	**99**	(2,778)

10 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:

	2014 HK$'000	2013 HK$'000
Within 30 days	**60**	200
31–60 days	**8**	88
61–90 days	**9**	147
91 days–1 year	**19**	487
Over 1 year	**210**	210
	306	1,132

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.

11 EVENTS AFTER THE REPORTING PERIOD

On 17 February 2015, the Group completed the sale of the Disposal Group to the Company's chairman by setting off against two convertible bonds with face values of HK$30,750,000 (and the interest accrued thereon) and US$12,500,000 (equivalent to approximately HK$97,175,000) respectively, and loan due to him of HK$10,000,000. On the same date, the Group also completed the fund raising of net proceeds of approximately HK$69,180,000 and HK$13,620,000 through open offer and placement of shares respectively.

FINANCIAL REVIEW

Revenue and gross profits – Continuing operations

For the year ended 31 December 2014, the total revenue of continuing operations (which mainly consists of the funeral services and crematorium) decreased by 40.24% to approximately HK$11,635,000 (year ended 31 December 2013: HK$19,470,000). The decrease in revenue was mainly attributed by the gradual shift of the agency referral business to self network generated business in the funeral cases. This shift started in early 2014 and a more profitable margin was expected because less agency commission was necessary.

The overall gross profit margin of the continuing operations for the year was approximately 58.99% and increased as compared with that of last year corresponding period of approximately 55.31%.

Sales and marketing expenses – Continuing operations

Sales and marketing expenses of continuing operation for the current year was approximately HK$3,848,000, which was 59.09% less than last corresponding period of approximately HK$9,407,000. After previous year's intense marketing effort at setting up stage, the continuing operations was able to reduce significantly its corporate marketing activities during the year and resulted in reduction in such expenses. Moreover, less commission was paid in Hong Kong funeral services business to external agents because more internally generated sales from business network developed were derived for funeral cases.

Administrative expenses – Continuing operations

Administration expenses of the continuing operations for the current year amounted to approximately HK$24,624,000 which was in line with that of last corresponding period of approximately HK$23,887,000. The management has implemented cost reduction programs during the year which included the reduction of rental expenses, director's remuneration and staff costs, however, the decrement was offset by the increase in the legal and professional fee incurred for the very substantial transaction ("VSD") transaction.

Finance costs – Continuing operations

Finance costs of the continuing operations for the current year amounted to approximately HK$6,220,000, which was 78.17% more than that of last corresponding period of HK$3,491,000. The increase in the finance costs was a result of the additional borrowing incurred by the Group during the year.

Loss for the year from continuing operations

Loss for the year from continuing operations amounted to approximately HK$27,570,000 which is 11.28% greater than that of last year loss of approximately HK$24,775,000. The increase was mainly attributable to higher professional fee for the VSD and finance cost.

Loss for the year from discontinued operations

The revenue from discontinued operations (which mainly consists of cemetery business) amounted to approximately HK$31,445,000 for the current year and was 57.56% higher than that of last year of approximately HK$19,957,000. The increase was mainly due to the increase in revenue of Suzhou Cemetery from sales of burial plots during the year. Expenses decreased from approximately HK$304,637,000 in year 2013 to HK$64,790,000 in year 2014. The decrease was attributable to the effect of an impairment loss on the cemetery assets use rights of approximately HK$230,160,000 (HK$172,620,000 after tax) in last year. As such, loss for the year from discontinued operations decrease to approximately HK$32,714,000 in year 2014.

Loss for the year

The Group's loss for the year was approximately HK$60,284,000 and was 75.86% less than that of last corresponding period of HK$249,706,000. The main reasons for such reduction in loss include (i) the effect of the cost control measures implemented during the year; (ii) increase in contribution from sales in Suzhou Cemetery operation and (iii) the inclusion of an after tax impairment loss of approximately HK$173 million of Suzhou Cemetery in last corresponding period as discussed above.

OPERATION REVIEW

For various factors mentioned in the circular dated 31 December 2014 which caused difficulties in achieving the development plan of the Group, the Company proposed a VSD on 2 April 2014 for the disposal of all the cemetery assets of the Group with an objective to deleverage the Group's current borrowing and such VSD was subsequently completed on 17 February 2015. Under the Group's accounting policies, the assets and corresponding liabilities of cemeteries to be disposed as at 31 December 2014 are separately disclosed as assets and liabilities of disposal group held-for-sale in the consolidated statement of financial position while the segment results of the Group's cemetery business are classified as a discontinued operation.

During the financial year ended 31 December 2014, the Group's business operation was mainly focusing on the provision of deathcare services and cemetery operation. The Company has been undergoing plans to improve its cash flow situation under the following measures:

(1) improving revenue by expanding its market and product line in local and international deathcare business through its existing network in the industry;

(2) improving profit margin by providing more high-end products and services like EGEM and customized funeral services; and

(3) reducing operating costs like rental and salaries.

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

Operation Review – Hong Kong

Funeral services, Eternity Gem and pre-planning funeral arrangement

During the year ended 31 December 2014, the Group's Hong Kong funeral services recorded a revenue of approximately HK$3,443,000 and had a 70.77% decrease as compared with the corresponding period in 2013. The decrease in revenue was a result of the shift of the agency referral business to self-network generated business in funeral cases starting from early 2014. Such change has generated a relatively profitable margin because less agency commission was necessary. During the year, marketing and promotion efforts were focused on network collaboration and on-line marketing that could bring in more business opportunities in the foreseeable future. During the period, revenues were mainly generated from sales of funeral packages and also the newly developed product, Sage Eternity Gem ("EGEM"), the transformation of cremated ash into durable memorial gem stone. EGEM gained popularity during the year and sales of EGEM increased during the year as a result of exhibition, promotion programmes, cooperation with major local and overseas funeral service providers and pet shops. Following the recent government's new proposed policy on regulating columbarium in Hong Kong, preserving human ashes into gemstones will become more and more popular. Therefore, the Group believes that green burial will be a popular alternative to traditional burial for memorial of beloved one.

During the year ended 31 December 2014, the Group also conducted a number of other marketing and networking activities for preneed products. These included talks and presentations on life education to community and non-profit organizations on preneed arrangement and green burial. Senior Expo and Asia Funeral Expo were held successfully in the middle of 2014. Cooperation with financial planner and other insurance agents were underway to expand the group's distribution network. Recently, we had also signed an agreement with a major local financial services group to promote and distribute our tailored funeral services through its well-developed network.

Operation Review – China

Cemeteries

Suzhou Cemetery

The financial performance of Suzhou Cemetery for the year ended 31 December 2014 was in line with the Group's expectation and business operation was expanding gradually. Revenue of Suzhou Cemetery for the current period was approximately HK$30,461,000 and shows an increase of 60.79% as compared with last corresponding period. The increase was mainly attributed to the successful expansion of local distribution network in Suzhou and nearby region and effect on the improvement of sales and marketing skills of sales team deployed recently. The selling price of burial plots of Suzhou Cemetery also improved gradually since the beginning of 2014 because of the ongoing promotion and brand building activities.

Huaiji Cemetery

On the other hand, the performance of Huaiji Cemetery was not satisfactory and sales did not reach the original budget during the year ended 31 December 2014. Revenue of Huaiji Cemetery for the year ended 31 December 2014 was approximately HK$412,000. The Company considered such unsatisfactory result is due to insufficient advertising campaign and promotion. As a result, an impairment on the cemetery asset use right of approximately HK$3,102,000 was considered necessary and provided for during the year ended 31 December 2014.

Bijie Cemetery

The cemetery was still under the development stage with no significant progress during the year. Negotiation was still on progress with local authority for certain cemetery operation and land approval. As a result, no revenue was generated from Bijie Cemetery during the year ended 31 December 2014.

FUNERAL SERVICES AND CREMATORIUM

Huaiji Funeral Parlour

Cremation business operation in Huaiji was performing steadily in the year ended 31 December 2014 and revenue during the year was approximately HK$8,192,000, an 6.49% increase as compared with last year of approximately HK$7,693,000. In order to maintain a high quality of service, the Group will put forward plans to improve the repair and maintenance works in the foreseeable future.

Prospects

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group has cash and bank balances of approximately HK$11,767,000 (as at 31 December 2013: HK$8,426,000) and the total assets of the Group were HK$477,770,000 (as at 31 December 2013: HK$490,873,000). The net current assets of the Group were approximately HK$144,131,000 (as at 31 December 2013: HK$69,475,000) and the Group's current ratio, which represents the current assets over its current liabilities, was approximately 1.47 times (as at 31 December 2013: 2.24 times). The gearing ratio of the Group as at 31 December 2014 (calculated by the total interest bearing debts of HK$88,087,000 over equity attributable to the owners of the Company of negative HK$18,447,000) is -477.51% (2013: 194.85%).

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 proposed the VSD transaction and entered into the Placing Agreement and the Underwriting Agreement and raised approximately HK$83 million funding as equity capital for future development in deathcare business and other business opportunities that may be identified in the future. Such fund raising exercise was completed subsequent to the year end on 17 February 2015.

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

On 2 April 2014, the Company has entered into a sale and purchase agreement to dispose of its 100% equity interests in Reliance Death Care Services Inc. and its subsidiaries, which mainly operates cemetery business in Mainland China, to Great World Investors Limited by setting off against two convertible bonds with face values of HK$30,750,000 (and the interest accrued thereon) and US$12,500,000 (equivalent to approximately HK$97,175,000) respectively, and the loan from the Company's chairman of HK$10,000,000. The disposal was completed on 17 February 2015. Details of the disposal are disclosed in the announcements and the circular of the Company dated 13 June 2014, 31 December 2014 and 17 February 2015.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had 130 employees and including Directors (31 December 2013: 125). Total staff costs for the year ended 31 December 2014, including Directors' remuneration, amounted to approximately HK$18,798,000 (31 December 2013: approximately HK$25,985,000). 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 2014.

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 2014.

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 2014.

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 2014, 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 2014 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 2014 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 2014 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, 26 March 2015

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.