

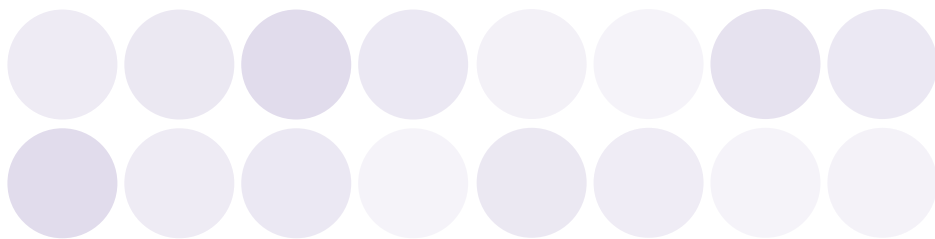


# Sage International Group Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)  
Stock Code: 8082

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*This report, for which the directors of Sage International Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Sage International Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report misleading.*



## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Chui Bing Sun (*Chairman*)  
Mr. Kwok Kwan Hung

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Chi Kong  
Mr. Chan Wai Man  
Mr. Siu Hi Lam, Alick

### COMPANY SECRETARY

Mr. Kwok Kwan Hung

### COMPLIANCE OFFICER

Mr. Chui Bing Sun

### AUDIT COMMITTEE

Mr. Chan Wai Man (*Chairman*)  
Mr. Leung Chi Kong  
Mr. Siu Hi Lam, Alick

### REMUNERATION COMMITTEE

Mr. Leung Chi Kong (*Chairman*)  
Mr. Chan Wai Man  
Mr. Siu Hi Lam, Alick

### AUTHORISED REPRESENTATIVES

Mr. Chui Bing Sun  
Mr. Kwok Kwan Hung

### INDEPENDENT AUDITORS

Parker Randall CF (H.K.) CPA Limited  
Chartered Accountants  
Certified Public Accountants

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

18/F., Kam Sang Building  
257 Des Voeux Road Central  
Hong Kong

### COMPANY HOMEPAGE

[www.sig.hk](http://www.sig.hk)

### PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Ltd  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited  
26/F., Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### PRINCIPAL BANKERS

Standard Chartered Bank  
Bank of China (Hong Kong) Limited  
DBS Bank (Hong Kong) Limited

### STOCK CODE

8082



## UNAUDITED FINANCIAL RESULTS

The Board of Directors (the "Directors") of Sage International Group Limited (the "Company") announce the unaudited condensed consolidated results of the Company, its subsidiaries and jointly-controlled entity (collectively the "Group") for the three months and nine months ended 31 December 2010 together with the comparative unaudited figures for the corresponding periods in 2009 as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 31 December 2010

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
<b>Revenue</b>	2	<b>41,691</b>	34,103	<b>56,881</b>	42,456
<b>Other revenue</b>	3	<b>35</b>	(37)	<b>1,041</b>	5,221
<b>Exhibition costs</b>		<b>(8,533)</b>	(8,844)	<b>(15,627)</b>	(15,011)
<b>Printing, postage and paper costs</b>		<b>(493)</b>	(1,518)	<b>(1,233)</b>	(2,265)
<b>Promotion expenses</b>		<b>(1,056)</b>	(1,489)	<b>(2,623)</b>	(3,213)
<b>Cost of goods sold</b>		<b>(4,842)</b>	–	<b>(10,178)</b>	–
<b>Employee benefits expense</b>		<b>(15,100)</b>	(4,342)	<b>(30,535)</b>	(14,532)
<b>Finance costs</b>	4	<b>(1,434)</b>	(5)	<b>(1,715)</b>	(4,145)
<b>Other operating expenses</b>		<b>(10,796)</b>	(5,239)	<b>(21,358)</b>	(13,825)
<b>Share of (loss)/profit of a jointly-controlled entity</b>		<b>(8)</b>	226	<b>5</b>	60
<b>(Loss)/profit before tax</b>		<b>(536)</b>	12,855	<b>(25,342)</b>	(5,254)
<b>Income tax expense</b>	7	<b>(919)</b>	(171)	<b>(1,144)</b>	(171)
<b>(Loss)/profit for the period</b>		<b>(1,455)</b>	12,684	<b>(26,486)</b>	(5,425)
<b>Attributable to:</b>					
Owners of the Company		<b>(1,645)</b>	12,611	<b>(26,638)</b>	(5,445)
Non-controlling interests		<b>190</b>	73	<b>152</b>	20
		<b>(1,455)</b>	12,684	<b>(26,486)</b>	(5,425)
<b>Dividend</b>	8	–	–	–	–
<b>(Loss)/Profit per share</b>					
Basic (HK cents per share)	5	<b>(0.75)</b>	1.29	<b>(16.64)</b>	(0.56)
Diluted (HK cents per share)	5	<b>N/A</b>	N/A	<b>N/A</b>	N/A



## UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2010

	Three months ended		Nine months ended	
	31 December		31 December	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>(Loss)/profit for the period</b>	<b>(1,455)</b>	12,684	<b>(26,486)</b>	(5,425)
<b>Other comprehensive income:</b>				
Exchange differences on translating foreign operations	228	2	173	2
<b>Total comprehensive income for the period</b>	<b>(1,227)</b>	12,686	<b>(26,313)</b>	(5,423)
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	<b>(1,417)</b>	12,613	<b>(26,465)</b>	(5,443)
Non-controlling interests	<b>190</b>	73	<b>152</b>	20
	<b>(1,227)</b>	12,686	<b>(26,313)</b>	(5,423)



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2010

	Attributable to the owners of the Company											
	Share capital	Share premium	Translation reserve	Capital reserve	PRC statutory	Share options reserve	Contributed surplus	Convertible bonds equity reserve	Retained profits/(Accumulated loss)	Total	Non-controlling interests	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 April 2009	9,756	28,857	1,388	900	741	811	-	-	(23,455)	18,998	42	19,040
Loss for the period	-	-	-	-	-	-	-	-	(5,445)	(5,445)	20	(5,425)
Translation exchange differences	-	-	2	-	-	-	-	-	-	2	-	2
Total comprehensive income for the period	-	-	2	-	-	-	-	-	(5,445)	(5,443)	20	(5,423)
<b>At 31 December 2009</b>	<b>9,756</b>	<b>28,857</b>	<b>1,390</b>	<b>900</b>	<b>741</b>	<b>811</b>	<b>-</b>	<b>-</b>	<b>(28,900)</b>	<b>13,555</b>	<b>62</b>	<b>13,617</b>
At 1 April 2010	9,756	28,857	1,394	900	741	811	-	-	(33,295)	9,164	55	9,219
Loss for the period	-	-	-	-	-	-	-	-	(26,638)	(26,638)	152	(26,486)
Translation exchange differences	-	-	173	-	-	-	-	-	-	173	-	173
Total comprehensive income for the period	-	-	173	-	-	-	-	-	(26,638)	(26,465)	152	(26,313)
Issue of convertible bonds 1 ("CB 1"; see note 9(a))	-	-	-	-	-	-	-	3,031	-	3,031	-	3,031
Issue of convertible bonds 2 ("CB 2"; see note 9(b))	-	-	-	-	-	-	-	11,695	-	11,695	-	11,695
Issue of convertible bonds 3 ("CB 3"; see note 9(c))	-	-	-	-	-	-	-	3,552	-	3,552	-	3,552
Issue of convertible bonds 4 ("CB 4"; see note 9(c))	-	-	-	-	-	-	-	4,415	-	4,415	-	4,415
Issue of ordinary shares upon conversion of CB 2	10,290	20,580	-	-	-	-	-	(11,695)	-	19,175	-	19,175
Issue of ordinary shares upon top-up placing and subscription	1,951	10,146	-	-	-	-	-	-	-	12,097	-	12,097
Transaction costs attributable to issue of new shares	-	(406)	-	-	-	-	-	-	-	(406)	-	(406)
Issue of ordinary shares upon exercise of share options	77	2,141	-	-	-	(589)	-	-	-	1,629	-	1,629
Recognition of equity settled share-based payments	-	-	-	-	-	7,891	-	-	-	7,891	-	7,891
Cancellation of the share premium account and applied credit to eliminate accumulated losses	-	(59,873)	-	-	-	-	11,848	-	48,025	-	-	-
Capital reduction	(19,866)	-	-	-	-	-	19,866	-	-	-	-	-
Arising on acquisition of 50% of equity in Era Investment	-	-	-	-	-	-	-	-	-	-	(4,865)	(4,865)
At 31 December 2010	2,208	1,445	1,567	900	741	8,113	31,714	10,998	(11,908)	45,778	(4,658)	41,120



## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

### 1. Basis of preparation and significant accounting policies

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

These unaudited condensed consolidated financial statements should be read in conjunction with the Company's 2010 annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the Company's annual financial statements for the year ended 31 March 2010.

#### *Impact of New and Revised HKFRSs which are Issued but Not Effective*

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

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

### 2. Revenue

An analysis of the Group's revenue for the three months and nine months ended 31 December 2010 is as follows:

	Three months ended		Nine months ended	
	31 December		31 December	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue:				
Exhibition organisation income	35,597	33,703	44,934	41,340
Promotion and marketing income	123	392	471	950
Publication income	25	8	140	166
Trading of automobile and accessories	4,555	–	9,945	–
Cemetery and funeral services income	1,391	–	1,391	–
	<b>41,691</b>	34,103	<b>56,881</b>	42,456



### 3. Other revenue

	Three months ended		Nine months ended	
	31 December		31 December	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income on:				
– Bank deposits	29	9	59	14
– Deposit for acquisition	–	–	–	4,138
Service income	–	–	55	–
Other cemetery and funeral income	46	–	46	–
Sundry income	(40)	(46)	881	1,069
	<b>35</b>	<b>(37)</b>	<b>1,041</b>	<b>5,221</b>

### 4. Finance costs

	Three months ended		Nine months ended	
	31 December		31 December	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interests on:				
– Borrowings wholly repayable within five years	27	5	80	4,143
– Finance lease	–	–	–	2
– Imputed interest on convertible bonds	1,407	–	1,635	–
	<b>1,434</b>	<b>5</b>	<b>1,715</b>	<b>4,145</b>





## 5. (Loss)/profit per share

The calculation of basic (loss)/profit per share attributable to the owners of the Company is based on the following data:

	Three months ended 31 December		Nine months ended 31 December	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>(Loss)/profit</b>				
(Loss)/profit for the purpose of basic and diluted (loss)/profit per share				
((Loss)/profit attributable to the owners of the Company)	<b>(1,645)</b>	12,611	<b>(26,638)</b>	(5,445)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purposes of basic (loss)/profit per share	<b>220,655,076</b>	975,640,000	<b>160,036,163</b>	975,640,000

The calculation of basic loss per share for the three months and nine months ended 31 December 2010 is based on the Group's unaudited loss attributable to the owners of the Company of HK\$1,645,000 and HK\$26,638,000 (2009: a profit of approximately HK\$12,611,000 and a loss of HK\$5,445,000 respectively) and on the weighted average number of 220,655,076 and 160,036,163 ordinary shares in issue during the three months and nine months periods respectively.

No diluted profit/(loss) per share for three months and nine months ended 31 December 2010 (2009: Nil for both) has been presented as the share options outstanding had an anti-dilutive effect on the respective periods.

## 6. Segment information

Since this reporting period, the Group is organised into three business units based on their products and services. For segment reporting purpose, the chief operating decision maker is the chairman and the Group has three reportable operating segments as follows:

- Exhibition business;
- Trading of automobile and accessories; and
- Operation of cemetery and funeral services

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured inconsistently with operating profit or loss in the consolidated financial statements. However, group financing and income taxes are managed on a group basis and are not allocated to operating segments.



## 6. Segment information (Continued)

An analysis by business segment is as follows:

	Nine months ended 31 December 2010				
	Exhibition Business <i>HK\$'000</i>	Trading of automobile and accessories <i>HK\$'000</i>	Operation of cemetery and funeral service <i>HK\$'000</i>	Corporate and other operations <i>HK\$'000</i>	Sub-Total <i>HK\$'000</i>
<b>Segment revenue</b>	<b>45,545</b>	<b>9,945</b>	<b>1,391</b>	<b>–</b>	<b>56,881</b>
(Loss)/profit from operating activities	(2,945)	97	(263)	(20,521)	(23,632)
Finance costs					(1,715)
Share of profit of a jointly-controlled entity	5				5
Loss before tax	(2,940)				(25,342)
Income tax expense	(1,144)				(1,144)
<b>Segment results</b>	<b>(4,084)</b>				<b>(26,486)</b>
<b>Other segment information:</b>					
Depreciation	433	–	39	467	939
Capital expenditure*	590	–	–	1,400	1,990

\* Capital expenditure consists of additions to property, plant & equipment, excluding assets from the acquisition of subsidiaries.

The Group was operated in a single business which was exhibition business for the nine months ended 31 December 2009. Hence, there was no operating segment disclosed for the corresponding period in 2009.

## 7. Income tax expense

The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 16.5%) of the assessable profits for the period (2009: Nil).

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2009: 25%) on estimated assessable profits arising in the PRC for the period ended 31 December 2010.

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

## 8. Dividend

The Directors do not recommend the payment of dividend nor transfer of any amount to reserves for the nine months ended 31 December 2010 (2009: Nil).



## 9. Convertible bonds

	CB 1	CB 2	CB 3	CB 4	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Nominal value of convertible bonds issued	20,000	30,870	36,900	30,750	118,520
Equity component	(3,031)	(11,695)	(3,552)	(4,415)	(22,693)
Liability component on initial recognition	16,969	19,175	33,348	26,335	95,827
Interest charged	441	–	664	530	1,635
Interest accrued	(156)	–	–	(169)	(325)
Conversion	–	(19,175)	–	–	(19,175)
Liability component at 31 December 2010	17,254	–	34,012	26,696	77,962

Interest charged of CB 1, CB 2 and CB 4 on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of 5%, 11.2% and 11.33% respectively to the liability component.

- (a) On 23 June 2010, the Company issued the convertible bonds with principal amount of HK\$20,000,000 (the “CB 1”) to New Brilliant Investments Limited, which is wholly-owned by Mr. Chui Bing Sun, an executive Director of the Company. The CB 1 bears interest at 1.5% per annum (calculated on a 360 days basis) on the principal amount of the Convertible Bonds outstanding from time to time, payable annually in arrears. The CB 1 can be converted into conversion shares at initial conversion price of HK\$0.04, which is subject to anti-dilution adjustments, from the day immediately following the date of the issue of the Convertible Bonds to the maturity date which is on 31 March 2015. As at 31 December 2010, the conversion price has been adjusted to HK\$0.25 as a result of the anti-dilution adjustments.
- (b) On 11 August 2010, the Company issued the convertible bonds with aggregate principal amount of HK\$30,870,000 (the “CB 2”) to eight convertible bonds subscribers (the “CB Subscribers”), each of the CB Subscribers is independent third party. The CB 2 bears interest at 1% per annum (calculated on a 360 days basis) on the principal amount of the Convertible Bonds outstanding from time to time, payable annually in arrear. The Convertible Bonds can be converted into conversion shares at conversion price of HK\$0.03, which is subject to anti-dilution adjustments, from the day immediately following the date of the issue of the Convertible Bonds to the maturity date which is on 31 March 2015.

On the same date upon the issue, the CB 2 was fully converted into 1,028,999,999 ordinary shares by all the CB Subscribers at a conversion price of HK\$0.03 per ordinary share. There was no outstanding liability for the CB 2 as at 31 December 2010.

- (c) On 26 October 2010, the Company issued the convertible bonds with aggregate principal amount of HK\$36,900,000 (the “CB 3”) and HK\$30,870,000 (the “CB 4”) to Forrex (Holding) Inc, which is an independent third party. The CB 3 and CB 4 bear interest at 0% and 3% per annum (calculated on a 360 days basis) on the principal amount of the Convertible Bonds outstanding from time to time, payable in arrear on the maturity date. The CB 3 and CB 4 can be converted into conversion shares at initial conversion price of HK\$0.123, which is subject to anti-dilution adjustments, from the day immediately following the date of the issue of the Convertible Bonds to the maturity date which is on 30 September 2011 and 30 September 2012 respectively. As at 31 December 2010, the conversion price has been adjusted to HK\$1.23 as a result of the share consolidation.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

During the three months period under review, the Group recorded a revenue of approximately HK\$41,691,000 (2009: HK\$34,103,000), representing an increase of 22% over that of the corresponding period in last year. The rise is mainly due to the increase in revenue contributed by two new business segments, being cemetery operation and trading of automobile and accessories. The cemetery operation recorded a revenue of HK\$1,391,000 while the trading segment recorded a revenue of HK\$4,555,000 respectively during the period. The Group recorded loss attributable to the owners of the Company of approximately HK\$1,645,000 (2009: profit of HK\$12,611,000) for the three months ended 31 December 2010. Such loss was mainly resulted from the costs on share-based payments for granting of options under the Company's employee share option scheme amounted to HK\$2,474,000 (2009: Nil).

#### *Deathcare business*

Following the completion in October 2010 of the acquisition of the equity interest of Suzhou Celebrities Cemetery Industries Co., Ltd. (Suzhou Celebrities) (a jointly-controlled entity of the Company), the Group commenced its business in the deathcare industry. The Group accounts for the results of Suzhou Celebrities using proportionate consolidation and it contributed approximately HK\$1,391,000 and HK\$263,000 to the Group's turnover and operating loss during the period under review.

#### *Automobile Trading*

The Group continued its automobile trading in the three months period since its first commencement of trade in July 2010. The sales during the three months period under review is HK\$4,555,000 and the management expected that this business will provide a stable cashflow to the Group and will continue to growth. The management is planning to expand further on the product line in the next quarter but will also remain cautious and keep monitoring the progress in the course of development.

#### *Exhibition business*

The exhibition business recorded a revenue of HK\$35,745,000 for the three months period ended 31 December 2010 (2009: HK\$34,103,000). The increase in revenue as compared with that of last quarter of HK\$4,645,000 is due to the fact that the segment has launched its major exhibition in the PRC in November 2010. Despite this, the segment still recorded a loss after tax of HK\$4,084,000 for the nine months period and there is no significant sign of recovery in this segment during the period under review. Such loss was attributed to the unsatisfactory demand on the exhibition as competitions were still intense in the region. Moreover, rising direct costs and overheads also made the operating environment difficult. As disclosed in the Company's announcement dated 14 January 2011, the Group has signed an agreement with a connected person to dispose of its entire interest of this exhibition business segment with a view to cease its loss contribution to the Group.



## Prospects

The Group will continue its new strategic move to the deathcare business segment in the Greater China region which commenced in October 2010. The ultimate goal of the Group is to build a unique and scalable platform for developing quality deathcare services in the region. The Group commits to become a major player in this industry and will collaborate with various strategic partners and investors in building this service platform. It will also continue to identify investment opportunities in cemetery business with growth potential and attractive returns.

## Investment held and material acquisitions and disposals

During the period under review, the Group entered into an agreement to acquire an equity interest in Suzhou Celebrities Cemetery Industrial Co Ltd, details of which are set out in the announcement and the circular of the Company dated 5 September 2010 and 28 September 2010 respectively. The acquisition was completed in October 2010. The Group had also acquired a 70% effective interest in Huai Ji Luck Mountain Funeral Parlour Ltd in January 2011, details of which are disclosed in the announcement of the Company dated 2 December 2010.

On 22 December 2010, the Group has entered into an agreement to sell 99.5% of the issued share capital of Infosky Group Limited. The completion of disposal is subject to approval by shareholders at the coming SGM. Save for the aforesaid, the Group had not made any material acquisition or disposal during the nine months ended 31 December 2010.

## Employees and remuneration policies

As at 31 December 2010, the Group had 76 employees, including Directors. Total staff costs for the nine months ended 31 December 2010, including Directors' remuneration, amounted to approximately HK\$30,535,000 (2009: approximately HK\$14,532,000). The Group's employment and remuneration policies remained the same as detailed in the Annual Report 2010.

## Charges on Group's assets and contingent liabilities

There were no charges on the Group's assets or any significant contingent liabilities as at 31 December 2010.



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

As at 31 December 2010, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by Directors of the Company were as follows:

### Interests in shares of the Company

*Number of ordinary shares and underlying shares beneficially held*

Name of directors	Capacity	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of issued shares
Mr. Chui Bing Sun	Interest of a controlled corporation	25,099,000 <i>(Note (i))</i>	80,000,000 <i>(Note (ii))</i>	105,099,000	47.59%
Mr. Chui Bing Sun	Personal	1,000	–	1,000	0%
				105,100,000	47.59%
Mr. Siu Hi Lam, Alick	Personal	95,000	–	95,000	0.04%

Notes:

- (i) These shares are held by New Brilliant Investments Limited ("New Brilliant"), a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui Bing Sun, an executive director of the Company. Mr. Chui Bing Sun also personally beneficially holds 1,000 shares.
- (ii) These underlying shares represent the new ordinary shares to be issued upon conversion of convertible bond by New Brilliant with principal amount of HK\$20,000,000 at adjusted conversion price of HK\$0.25 per share.



## Interests in underlying shares of the Company

Pursuant to the share option scheme adopted by the Company on 22 October 2001 (as more particularly described in Appendix IV to the Company's prospectus), certain Directors were granted share options to subscribe for the Company's shares, details of share options outstanding and exercisable as at 31 December 2010 were as follows:

Name of Directors	Number of options			Outstanding and exercisable as at 31 December 2010	Date of grant	Exercise period	Exercise price per share
	Adjusted outstanding as at 1 April 2010	Granted during the period	Exercised/lapsed during the period				
Mr. Kwok Kwan Hung	80,000 (Note (ii))	-	-	80,000	15 February 2008	15 February 2008 – 14 February 2018	HK\$3.3
	-	850,000 (Note (iii))	-	850,000	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.85
	-	320,000 (Note (iii))	-	320,000	12 August 2010	12 August 2010 – 11 August 2020	HK\$2.35
	-	950,000 (Note (iv))	-	950,000	3 December 2010	3 December 2010 – 2 December 2020	HK\$2.13
Mr. Lee Chi Shing, Caesar (retired with effective on 1 September 2010)	800,000 (Note (vi))	-	-	800,000	14 December 2007	14 December 2007 – 13 December 2017	HK\$2.8
	175,000 (Note (vii))	-	175,000	-	14 August 2008	14 August 2008 – 13 August 2018	HK\$1.87
Mr. Leung Chi Kong	50,000 (Note (ii))	-	-	50,000	15 February 2008	15 February 2008 – 14 February 2018	HK\$3.3
	-	45,000 (Note (iii))	-	45,000	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.85
Mr. Chan Wai Man	50,000 (Note (ii))	-	-	50,000	15 February 2008	15 February 2008 – 14 February 2018	HK\$3.3
	-	45,000 (Note (iii))	-	45,000	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.85
Mr. Siu Hi Lam, Alick	-	95,000 (Note (iii))	95,000 (Note (viii))	-	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.85



*Notes:*

- (i) The adjusted closing price of the shares of the Company immediately before the date of grant (as of 15 February 2008) was HK\$3.3.
- (ii) The adjusted closing price of the shares of the Company immediately before the date of grant (as of 7 July 2010) was HK\$0.72. The vesting period on the share options has been waived by passing the resolution of wavier for vesting conditions, in which the EGM was held on 14 October 2010.
- (iii) The adjusted closing price of the shares of the Company immediately before the date of grant (as of 12 August 2010) was HK\$2.55.
- (iv) The closing price of the shares of the Company immediately before the date of grant (as of 3 December 2010) was HK\$2.1.
- (v) The adjusted closing price of the shares of the Company immediately before the date of grant (as of 14 December 2007) was HK\$2.7.
- (vi) The adjusted closing price of the shares of the Company immediately before the date of grant (as of 14 August 2008) was HK\$1.86. The share options were exercised on 16 August 2010. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$2.43.
- (vii) The share options were exercised on 25 November 2010. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$2.
- (viii) There were no share options cancelled, lapsed or forfeited during the nine months ended 31 December 2010.
- (ix) The number of share options and exercise price has been adjusted following the completion of share consolidation.

Save as disclosed above, as at 31 December 2010, none of the Directors or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the required standards of dealings by Directors of the Company.





## Outstanding share options

Save as those share options granted to the Directors as disclosed above, certain share options were granted by the Company under the share option scheme to individuals who are employees and consultants of the Company at the date of grant, details of the share options outstanding and exercisable as at 31 December 2010 were as follows:

Category	Number of options			Outstanding and exercisable as at 31 December 2010	Date of grant	Exercise period	Exercise price per share
	Adjusted outstanding as at 1 April 2010	Granted during the period	Exercised/ lapsed during the period				
Employee	50,000 <i>(Note (ii))</i>	-	50,000	-	25 March 2008	25 March 2008 – 24 March 2018	HK\$2.5
Employees	30,000 <i>(Note (iii))</i>	-	30,000	-	14 August 2008	14 August 2008 – 13 August 2018	HK\$1.87
Employees	-	3,550,000 <i>(Note (iii))</i>	-	3,550,000	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.85
Consultant	-	1,160,000 <i>(Note (iv))</i>	-	1,160,000	12 August 2010	12 August 2010 – 11 August 2020	HK\$2.35
Consultant	-	1,040,000 <i>(Note (v))</i>	-	1,040,000	6 September 2010	6 September 2010 – 5 September 2020	HK\$1.98
Consultant	-	500,000 <i>(Note (vi))</i>	500,000	-	7 September 2010	7 September 2010 – 6 September 2020	HK\$2.08
Employees	-	2,150,000 <i>(Note (vii))</i>	-	2,150,000	9 September 2010	9 September 2010 – 8 September 2020	HK\$2.29
Employees	-	1,600,000 <i>(Note (viii))</i>	-	1,600,000	13 September 2010	13 September 2010 – 12 September 2020	HK\$2.14
Employees	-	2,500,000 <i>(Note (ix))</i>	-	2,500,000	3 December 2010	3 December 2010 – 2 December 2020	HK\$2.13
	80,000	12,500,000	580,000	12,000,000			



*Notes:*

- (i) Options granted to the employee has vesting period of six months and one year of 25,000 each. The adjusted closing price of the shares of the Company immediately before the date of grant (as of 25 March 2008) was HK\$2.5. The share options were exercised on 16 August 2010. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$2.43.
- (ii) The adjusted closing price of the shares of the Company before the date of grant (as of 14 August 2008) was HK\$1.86. The share options were exercised on 16 August 2010. The adjusted weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$2.43.
- (iii) The adjusted closing price of the shares of the Company immediately before the date of grant (as of 7 July 2010) was HK\$0.72. The vesting period on the share options has been waived by passing the resolution of wavier for vesting conditions, in which the EGM was held on 14 October 2010.
- (iv) The adjusted closing price of the shares of the Company immediately before the date of grant (as of 12 August 2010) was HK\$2.55.
- (v) The adjusted closing price of the shares of the Company immediately before the date of grant (as of 6 September 2010) was HK\$1.98.
- (vi) The adjusted closing price of the shares of the Company immediately before the date of grant (as of 7 September 2010) was HK\$1.98. The share options were exercised on 22 October 2010. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$2.12.
- (vii) The adjusted closing price of the shares of the Company immediately before the date of grant (as of 9 September 2010) was HK\$2.16.
- (viii) The adjusted closing price of the shares of the Company immediately before the date of grant (as of 13 September 2010) was HK\$2.17.
- (ix) 1,200,000 options granted to the employee has vesting period of first, second and third anniversary of date of grant of 400,000 options each. The closing price of the shares of the Company immediately before the date of grant (as of 3 December 2010) was HK\$2.1.
- (x) The number of share options and exercise price has been adjusted following the completion of share consolidation.

There were no share options cancelled or lapsed during the nine months ended 31 December 2010.



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

As at 31 December 2010, the following shareholders (including Directors) had interests or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

### Interests in shares of the Company

Number of ordinary shares and underlying shares beneficially held

Name of shareholder	Capacity	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of issued share capital
Mr. Chui Bing Sun	Interest of a controlled corporation	25,099,000 (Note (i))	80,000,000 (Note (ii))	105,099,000	47.59%
	Personal	1,000	–	1,000	0.00%
				105,100,000	47.59%
New Brilliant Investments Limited	Beneficial owner	25,099,000	80,000,000	105,099,000	47.59%
Forrex (Holding) Inc	Beneficial owner	–	55,000,000	55,000,000	24.91%
Mr. Li Siu Kim	Personal	22,666,666	–	22,666,666	10.26%
Capital VC Limited	Beneficial owner	20,515,000	–	20,515,000	9.29%
Mr. Wang Zhen Ze	Personal	20,000,000	–	20,000,000	9.06%
Mr. Fung Pak Chuen, Alphonso	Personal	16,523,333	–	16,523,333	7.48%

#### Notes:

- (i) These shares are held by New Brilliant, a company incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui Bing Sun, an executive director of the Company. Mr. Chui Bing Sun also personally beneficially holds 1,000 shares.
- (ii) These underlying shares represent the new ordinary shares to be issued upon conversion of convertible bond by New Brilliant with principal amount of HK\$20,000,000 at adjusted conversion price of HK\$0.25 per share.



Save as disclosed above, as at 31 December 2010, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who had interests of 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

### **Management contracts**

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the period.

### **Model code for securities transactions by Directors**

The Company has adopted a code of conduct regarding securities transactions by Directors 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 enquiry of all Directors, all Directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the nine months ended 31 December 2010.

### **Competing interests**

The Directors are not aware of, as at 31 December 2010, any business or interest of each of the Directors, management shareholders (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with business of the Group or any other conflicts of interest which any such person has or may have with the Group.

### **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 nine months ended 31 December 2010.



## Compliance with Corporate Governance Practices

Save as the non-compliance with Code provision A2.1 as described below, the Company has complied with the Code on Corporate Governance Practices (the “CG Code”) throughout the period under review.

### *Non-compliance with paragraph A2.1*

Code provision A2.1 stipulates that the roles of Chairman and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual. During the nine months ended 31 December 2010, Mr. Chui Bing Sun held the offices of Chairman and CEO of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Office in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Company will continue to 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.

### **Audit committee**

The Company has established an audit committee (“AC”) with specific terms of reference explaining its role and authorities delegated by the Directors. The AC consists of three independent non-executive directors, namely Mr. Chan Wai Man (Chairman of AC), Mr. Leung Chi Kong and Mr. Siu Hi Lam, Alick, who together have sufficient accounting and financial management expertise, legal and business experience to discharge their duties.

The AC’s principal duties include reviewing the Group’s financial reporting system and internal control procedures, review of the Group’s financial information and review of the relationship with the auditors of the Company.

The AC has reviewed the Group’s unaudited results for the nine months ended 31 December 2010.



## Remuneration committee

The Company has established a Remuneration Committee (“RC”) with specific terms of reference which deals clearly with its authorities and duties. The RC comprised of three members, namely Mr. Leung Chi Kong (Chairman of RC), Mr. Chan Wai Man and Mr. Siu Hi Lam, Alick, all of them are independent non-executive directors of the Company. The role and function of RC is to oversee board remuneration matters, including recommend the Board on the Company’s policies and structure for the remuneration of the Directors and senior management, determine the remuneration packages of all executive directors and senior management, review and approving their performance-based remuneration, review and approving compensation to Directors and senior management in connection with any loss or termination of their office or appointment, and to ensure that no Director or any of his associates is involved in deciding his own remuneration.

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

Hong Kong, 10 February 2011

As at the date of this report, the Directors comprise the following members:

*Executive Directors*

Mr. Chui Bing Sun (*Chairman*)  
Mr. Kwok Kwan Hung

*Independent non-executive directors*

Mr. Chan Wai Man  
Mr. Leung Chi Kong  
Mr. Siu Hi Lam, Alick