

“One who is endowed with
both benevolence and wisdom
is a sage”from Mencius

Interim Report **2011**



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. Chan Wai Man
Mr. Law Yee Man, Thomas
Mr. Siu Hi Lam, Alick

COMPANY SECRETARY

Mr. Kwok Kwan Hung

COMPLIANCE OFFICER

Mr. Kwok Kwan Hung

AUDIT COMMITTEE

Mr. Chan Wai Man (*Chairman*)
Mr. Law Yee Man, Thomas
Mr. Siu Hi Lam, Alick

REMUNERATION COMMITTEE

Mr. Siu Hi Lam, Alick (*Chairman*)
Mr. Chan Wai Man
Mr. Law Yee Man, Thomas

AUTHORISED REPRESENTATIVES

Mr. Chui Bing Sun
Mr. 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

32/F, Sunshine Plaza
353 Lockhart Road
Wanchai
Hong Kong

COMPANY HOMEPAGE

<http://www.sig.hk>

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
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

Bank of Communications Co., Limited
DBS Bank (Hong Kong) Limited

STOCK CODE

8082

CEMETERY OPERATION

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

CHAIN OF CEMETERY

Suzhou Cemetery

Huaiji Cemetery

Bijie Cemetery

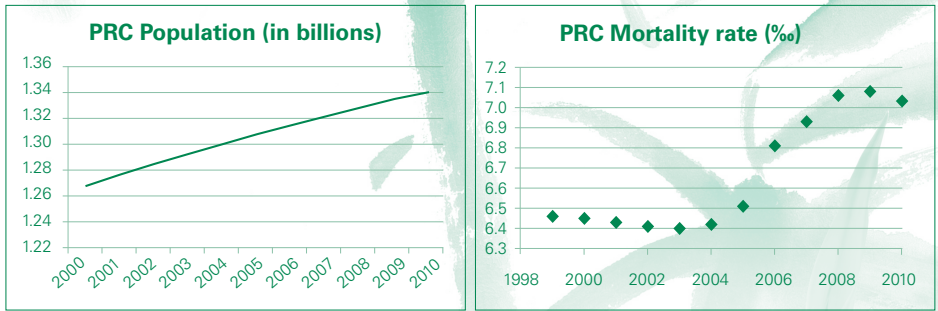


- 1 Hong Kong Office
Address: 32/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong
- 2 Shanghai Office
Address: Suite 4203B, Huaihai Plaza, 1045 Huaihai Road C., Shanghai, the PRC
- 3 Suzhou Universal Chinese Memorial (Suzhou Cemetery)
Address: Jinting, Suzhou, Jiangsu Province, the PRC
- 4 Huai Ji Luck Mountain Funeral House/Cemetery (Huaiji Cemetery)
Address: Dutou, Aozai Town, Huaiji Country, Guangdong Province, the PRC
- 5 Bijie Reliance Cemetery (Bijie Cemetery)
Address: Bijie Liu Cangqiao De Hou Cu, Guizhou Province, the PRC

An Industry Overview

Death Care Business

According to the China Statistic Yearbook¹, the population in People's Republic of China ("PRC") boomed from 1.27 billion in 2000 to 1.34 billion in 2010, representing a 5.51% increase over the decade. The national mortality rate also show a striking pattern with an upward slope since 2004. In 2004, the mortality rate was at 6.42‰ and the rate went up to as high as 7.03‰ in 2010, representing almost 10% increment.



In addition to the rise of mortality rate, the PRC faces ageing problem of its population. The population aged 65 or above was increased by 34.1% from 2000 to 2010. According to the 2011 green paper on the funeral industry published by the State Ministry of Civil Affairs, about 9 million people died in China in 2010. Thus, there is an increasing demand of death care services.

	2000	(%)	2010	(%)	Increase/ (decrease) (%)
Population (in million)					
– End of year	1,267	100.0%	1,336	100.0%	5.4%
– Age ≥ 65	88	6.9%	118	8.8%	34.1%

Source from:

1. National Bureau of Statistics of China's.

Apart from the needs of death care services, the supply side of cemetery is, however, limited. In China, most of the cemeteries are currently controlled by the PRC government directly who owns the land. The PRC government was currently managing about 1,200 cemeteries, 850 funeral management work units with reference to the state Ministry of Civil Affairs. Furthermore, the PRC have experienced a quick economic development, with concomitant increase in national income, the demand for high quality funeral services are very important component in Chinese social and religious systems for showing the respect to the deceased. Thus, the demand for high quality services has emerged and extended to this industry.

With the scarcity of land, the tendency of strong demand in cemetery and funeral services industry and rise of annual income for the people, it is estimated that the total business of the cemetery and funeral services industry could have a strong growth in the coming decades.

The cemetery operations offer interment rights such as the traditional ground burial, cremation ground burial, mausoleum spaces, columbarium. Other cremation products including bronze memorials, monuments, vaults, urns, interment services, cremation services and etc. Prior to burial-ground the deceased, a wide range of funeral home services would need in order to let the decedent rest in peace, including embalming, registration of death, the use of funeral home facilities, etc.

Traditionally, the death care industry, including cemetery and funeral services, appears not transparent. Customers (deceased's family or friends) will look for cemetery and funeral products and services only at the time of need. However, in a number of developed countries, like United States and the United Kingdom, products and services are also developed sophisticatedly before the time of need. A number of innovative pre-need products are launched to cope with customers' changing needs. For no doubt that, a revolutionary chance in this industry in China will be expected to keep up with the pace of the country's rapid development.

UNAUDITED FINANCIAL RESULTS

The Board of Directors (the "Directors") of Sage International Group Limited (the "Company") announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 September 2011 together with the comparative unaudited figures for the corresponding periods in 2010 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2011

	Notes	Three months ended 30 September		Six months ended 30 September	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
CONTINUING OPERATIONS					
Revenue	3	3,206	5,390	5,887	5,390
Cost of sales		(1,657)	(5,336)	(2,158)	(5,336)
Gross profit		1,549	54	3,729	54
Other income	3	194	-	395	-
Equity-settled share option expenses		(1,223)	(5,417)	(1,820)	(5,417)
Administrative expenses		(8,026)	(4,688)	(16,810)	(7,879)
Finance costs	4	(2,925)	(212)	(5,004)	(281)
LOSS BEFORE TAX		(10,431)	(10,263)	(19,510)	(13,523)
Income tax expense	5	12	-	-	-
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(10,419)	(10,263)	(19,510)	(13,523)
DISCONTINUED OPERATION					
Loss for the period from a discontinued operation	6	-	(5,164)	-	(11,509)
LOSS FOR THE PERIOD		(10,419)	(15,427)	(19,510)	(25,032)
Attributable to:					
Owners of the Company		(10,280)	(15,421)	(19,468)	(24,994)
Non-controlling interests		(139)	(6)	(42)	(38)
		(10,419)	(15,427)	(19,510)	(25,032)
Dividend	7	-	-	-	-
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Basic (HK cents per share)	8				
- For loss for the period		(1.02)	(2.39)	(1.92)	(4.82)
- For loss from continuing operations		(1.02)	(1.59)	(1.92)	(2.61)
Diluted (HK cents per share)					
- For loss for the period		N/A	N/A	N/A	N/A
- For loss from continuing operations		N/A	N/A	N/A	N/A

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2011

	Three months ended 30 September		Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Loss for the period	(10,419)	(15,427)	(19,510)	(25,032)
Other comprehensive loss:				
Exchange differences on translating foreign operations	(53)	(4)	(121)	(55)
Total comprehensive loss for the period	(10,472)	(15,431)	(19,631)	(25,087)
Attributable to:				
Owners of the Company	(10,333)	(15,425)	(19,589)	(25,049)
Non-controlling interests	(139)	(6)	(42)	(38)
	(10,472)	(15,431)	(19,631)	(25,087)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

	Notes	(Unaudited) At 30 September 2011 HK\$'000	(Audited) At 31 March 2011 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		14,581	14,110
Prepaid land lease payments		1,731	2,064
Goodwill		127,203	126,807
TOTAL NON-CURRENT ASSETS		143,515	142,981
CURRENT ASSETS			
Inventories		2,707	2,434
Prepayments, deposits and other receivables		6,780	7,311
Cash and cash equivalents		62,886	5,971
TOTAL CURRENT ASSETS		72,373	15,716
CURRENT LIABILITIES			
Trade payables	10	780	733
Other payables and accruals		9,953	12,471
Income tax payable		5	5
Other borrowings		593	25,593
Convertible bonds	11	28,313	-
TOTAL CURRENT LIABILITIES		39,644	38,802
NET CURRENT ASSETS/(LIABILITIES)		32,729	(23,086)
TOTAL ASSETS LESS CURRENT LIABILITIES		176,244	119,895
NON-CURRENT LIABILITIES			
Other borrowings		15,688	14,810
Convertible bonds	11	72,030	44,597
TOTAL NON-CURRENT LIABILITIES		87,718	59,407
NET ASSETS		88,526	60,488
CAPITAL AND RESERVES			
Share capital	12	2,530	2,522
Reserves		92,804	64,732
Equity attributable to owners of the Company		95,334	67,254
Non-controlling interests		(6,808)	(6,766)
TOTAL EQUITY		88,526	60,488

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

Attributable to owners of the Company

	Share capital	Share premium	Contributed surplus	Translation reserve	Capital reserve	PRC statutory reserve	Share options reserve	Convertible bonds equity reserve	Accumulated losses	Total	Non- controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2010	9,756	28,857	-	1,394	900	741	811	-	(33,295)	9,164	55	9,219
Total comprehensive loss for the period	-	-	-	(55)	-	-	-	-	(24,994)	(25,049)	(38)	(25,087)
Issue of shares for top-up placing	1,951	10,146	-	-	-	-	-	-	12,097	-	-	12,097
Share issue expenses	-	(406)	-	-	-	-	-	-	(406)	-	-	(406)
Cancellation of the share premium account and applied credit to eliminate accumulated losses	-	(59,873)	11,848	-	-	-	-	-	48,025	-	-	-
Issue of convertible bonds	-	-	-	-	-	-	-	14,726	-	14,726	-	14,726
Issue of shares for conversion of convertible bonds	10,290	20,580	-	-	-	-	-	(11,695)	-	19,175	-	19,175
Equity-settled share option arrangements	-	-	-	-	-	-	5,417	-	-	5,417	-	5,417
Issue of shares for exercise of share options	26	696	-	-	-	-	(214)	-	-	508	-	508
At 30 September 2010	22,023	-	11,848	1,339	900	741	6,014	3,031	(10,264)	35,632	17	35,649
At 1 April 2011	2,522	42,248	31,713	(243)	-	-	8,814	7,446	(25,246)	67,254	(6,766)	60,488
Total comprehensive loss for the period	-	-	-	(121)	-	-	-	-	(19,468)	(19,589)	(42)	(19,631)
Issue of convertible bonds (Note 11)	-	-	-	-	-	-	-	45,177	-	45,177	-	45,177
Equity-settled share option arrangements	-	-	-	-	-	-	1,820	-	-	1,820	-	1,820
Lapse of share options	-	-	-	-	-	-	(28)	-	28	-	-	-
Issue of shares for exercise of share options	8	973	-	-	-	-	(309)	-	-	672	-	672
At 30 September 2011	2,530	43,221	31,713	(364)	-	-	10,297	52,623	(44,686)	95,334	(6,808)	88,526

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Net cash used in operating activities	(13,788)	(15,074)
Net cash used in investing activities	(1,569)	(26,022)
Net cash generated from financing activities	72,656	59,058
Net increase in cash and cash equivalents	57,299	17,962
Cash and cash equivalents at the beginning of the reporting period	5,971	18,698
Effects of foreign exchange rate change	(384)	(60)
Cash and cash equivalents at the end of the reporting period	62,886	36,600
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	62,886	36,600

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 Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

These unaudited condensed consolidated financial statements should be read in conjunction with the Company's 2011 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 2011.

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 during 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. Segment information

For management purposes, the Group is organised into business units based on their products and services and has two reportable continuing operating segments as follows:

- (a) cemetery operation and funeral services; and
- (b) trading of automobile and accessories.

The exhibition organisation operation was discontinued in March 2011. The segment information reported on the followings does not include any amounts for the discontinued operation, which are described in more details in note 6.

The following is an analysis of the Group's revenue and results by reportable segment for the six months period ended 30 September 2011:

	Cemetery operation and funeral services HK\$'000	Trading of automobile and accessories HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	4,484	1,403	5,887
Revenue from continuing operations	4,484	1,403	5,887
Segment results	(153)	(7)	(160)
Reconciliation:			
Other income			395
Corporate and unallocated expenses			(14,741)
Finance costs			(5,004)
Loss before tax from continuing operations			(19,510)
Segment assets	173,744	2,009	175,753
Reconciliation:			
Corporate and unallocated assets			40,135
Total assets			215,888
Other segment information:			
Depreciation and amortisation	143	-	143
Capital expenditure	10	-	10

The following is an analysis of the Group's revenue and results by reportable segment for the six months period ended 30 September 2010:

	Cemetery operation and funeral services HK\$'000	Trading of automobile and accessories HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	-	5,390	5,390
Revenue from continuing operations	-	5,390	5,390
Segment results	-	49	49
Reconciliation:			
Other income			-
Corporate and unallocated expenses			(13,291)
Finance costs			(281)
Loss before tax from continuing operations			(13,523)
Segment assets	25,000	2,396	27,396
Reconciliation:			
Corporate and unallocated assets			48,753
Total assets			76,149
Other segment information:			
Depreciation and amortisation	-	-	-
Capital expenditure	-	-	-

3. Revenue and other income

An analysis of revenue and other income from continuing operations is as follows:

	Three months ended 30 September 2011		Six months ended 30 September 2011	
	HK\$'000	2010 HK\$'000	HK\$'000	2010 HK\$'000
Revenue				
Cemetery operation and funeral services income	1,803	–	4,484	–
Sales of automobile and accessories	1,403	5,390	1,403	5,390
	3,206	5,390	5,887	5,390
Other income				
Interest income on bank deposits	155	–	215	–
Sundry income	39	–	180	–
	194	–	395	–

4. Finance costs

An analysis of the finance costs from continuing operations is as follows:

	Three months ended 30 September 2011		Six months ended 30 September 2011	
	HK\$'000	2010 HK\$'000	HK\$'000	2010 HK\$'000
Interests on:				
– Other borrowings wholly repayable within five years	2	–	187	53
– Other borrowings wholly repayable after five years	241	–	458	–
– Convertible bonds	2,682	212	4,359	228
	2,925	212	5,004	281

5. Income tax expense

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits for both periods ended 30 September 2011 and 2010.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2010: 25%) on estimated assessable profits arising in the PRC for the period ended 30 September 2011 (2010: Nil).

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

6. Discontinued operation

On 5 January 2011, the Company announced the decision of its board of Directors to dispose of Infosky Group Limited and its subsidiary, (collectively called "Infosky Group"). Infosky Group engaged in the provisions of exhibition organisation, promotion and marketing and publication services. The Group has decided to dispose of Infosky Group because the Company planned to focus its resources on its core businesses. The disposal of Infosky Group was completed on 4 March 2011, no result of Infosky Group was consolidated for the three months and six months ended 30 September 2011.

	Three months ended 30 September		Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue	-	4,645	-	9,799
Other income	-	726	-	1,006
Expenses	-	(10,495)	-	(22,088)
Finance costs	-	-	-	(1)
Loss before tax	-	(5,124)	-	(11,284)
Income tax expense	-	(40)	-	(225)
Loss for the period from the discontinued operation	-	(5,164)	-	(11,509)
	Three months ended 30 September		Six months ended 30 September	
	2011	2010	2011	2010
Loss per share: (HK cents per share)				
From the discontinued operation				
- Basic	-	(0.80)	-	(2.21)
- Diluted	N/A	N/A	N/A	N/A

The calculations of basic and diluted loss per share from the discontinued operation are based on the loss for the three months and six months ended 30 September 2011 from a discontinued operation of HK\$nil (2010: loss of HK\$5,164,000 and HK\$11,509,000 respectively) and the denominators detailed in note 8 for both basic and diluted loss per share.

7. Dividend

The Directors do not recommend the payment of an interim dividend nor transfer of any amount to reserves for the six months period ended 30 September 2011. (2010: Nil).

8. Loss per share

The calculation of basic loss per share amounts is based on the loss for the three months and six months periods ended 30 September 2011 attributable to owners of the Company, and the weighted average number of ordinary shares of 1,011,684,604 and 1,011,501,613 respectively (2010: 644,841,478 and 518,244,327 respectively (restated)) in issue during the period, as adjusted to reflect the share subdivision on 1 September 2011.

No diluted loss per share has been calculated for both periods ended 30 September 2011 and 2010 as the Company's outstanding share options, warrants and convertible bonds had an anti-dilutive impact.

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Loss				
Loss attributable to owners of the Company used in the basic loss per share calculation:				
– From continuing operations	(10,280)	(10,263)	(19,468)	(13,523)
– From a discontinued operation	–	(5,158)	–	(11,471)
	(10,280)	(15,421)	(19,468)	(24,994)
Interest on convertible bonds	2,682	212	4,359	228
Loss attributable to owners of the Company before interest on convertible bonds	(7,598)	(15,209)	(15,109)	(24,766)
Attributable to:				
Continuing operations	(7,598)	(10,051)	(15,109)	(13,295)
Discontinued operation	–	(5,158)	–	(11,471)
	(7,598)	(15,209)	(15,109)	(24,766)

Three months ended 30 September		Six months ended 30 September	
2011	2010 (Restated)	2011	2010 (Restated)

Number of shares

Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation

1,011,684,604	644,841,478	1,011,501,613	518,244,327
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Note: The weighted average number of ordinary shares for the three and six months period ended 30 September 2010 were adjusted for the effect of share consolidation on 28 October 2010 and share subdivision on 1 September 2011.

9. Investments in jointly-controlled entities

The following table illustrates the summarized financial information of the Group's jointly-controlled entities included in the unaudited condensed consolidated income statement:

	Three months ended 30 September 2011		Six months ended 30 September 2011	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Share of the jointly controlled entities' income and expenses:				
Revenue	485	-	1,782	54
Administrative expenses	(906)	(4)	(2,083)	(41)
Income tax expense	12	-	-	-
(Loss)/profit after tax	(409)	(4)	(301)	13

10. Trade payables

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

	At 30 September 2011 HK\$'000	At 31 March 2011 HK\$'000
0 – 30 days	4	-
31 – 60 days	76	-
Over 60 days	700	733
	780	733

The Directors consider that the carrying amounts of trade payables approximate their fair values.

11. Convertible bonds

- (a) On 23 June 2010, the Company issued the convertible bonds with principal amount of HK\$20,000,000 (the "CB1") to New Brilliant Investments Limited, which is wholly-owned by Mr. Chui Bing Sun ("Mr. Chui"). The CB1 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 arrear. The CB1 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 30 September 2011, the conversion price has been adjusted to HK\$0.048 as a result of the anti-dilution adjustments. If the CB1 has not been converted, they will be redeemed at par on 31 March 2015. Interest will be paid annually until the maturity date.

- (b) On 26 October 2010, the Company issued the convertible bonds with principal amount of HK\$30,750,000 (the "CB2") to Forrex (Holding) Inc, which is a Director of Era Investment (Holding) Inc., a jointly-controlled entity of the Group. The CB2 bears interest at 3% per annum (calculated on a 360 days basis) on the principal amounts of the convertible bonds outstanding from time to time, payable in arrear on the maturity date. The CB2 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 2012. As at 30 September 2011, the conversion price has been adjusted to HK\$0.236 as a result of the anti-dilution adjustments.
- (c) On 23 May 2011, the Company issued the convertible bonds with principal amount of US\$12,500,000 (equivalent to approximately HK\$97,175,000) (the "CB3") to AXA Direct Asia II, L.P., which is an independent third party. The CB3 does not bear any interest. The CB3 can be converted into conversion shares at initial conversion price of HK\$0.787, 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 22 May 2016. As at 30 September 2011, the conversion price has been adjusted to HK\$0.197 as a result of the share subdivision.

Each of convertible bonds is bifurcated into liability component and equity component. The equity component is presented in unaudited condensed consolidated statement of changes in equity headed "convertible bonds equity reserve". The movement of the liability and equity components of the convertible bonds for the period is set out below:

Date of issue	CB1	CB2	CB3	Total
	23.06.2010	26.10.2010	23.05.2011	
Maturity date	31.03.2015	30.09.2012	22.05.2016	HK\$'000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Nominal value of convertible bonds issued	20,000	30,750	97,175	147,925
Equity component	(3,031)	(4,415)	(45,177)	(52,623)
Liability component at the issuance date	16,969	26,335	51,998	95,302
<i>Liability components</i>				
Liability component at the issuance date	16,969	26,335	–	43,304
Interest expense	653	1,270	–	1,923
Interest accrued	(231)	(399)	–	(630)
Liability component at 31 March 2011	17,391	27,206	–	44,597
Liability component at the issuance date	–	–	51,998	51,998
Interest expense	424	1,568	2,367	4,359
Interest accrued	(150)	(461)	–	(611)
Liability component at 30 September 2011	17,665	28,313	54,365	100,343

12. Share capital

	Number of shares '000	Shares capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1 April 2011	8,000,000	80,000
Subdivision of shares (<i>Note (i)</i>)	24,000,000	–
<hr/>		
Ordinary shares of HK\$0.0025 each at 30 September 2011	32,000,000	80,000
<hr/>		
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 April 2011	252,183	2,522
Shares options exercised (<i>Note (iii)</i>)	790	8
Subdivision of shares (<i>Note (i)</i>)	758,919	–
<hr/>		
Ordinary shares of HK\$0.0025 each at 30 September 2011	1,011,892	2,530
<hr/>		

Notes:

- i. Pursuant to an ordinary resolution passed by the shareholders of the Company in the extraordinary general meeting on 31 August 2011, the existing issued and unissued shares of HK\$0.01 each in the share capital of the Company was subdivided into four shares of HK\$0.0025 each with effect on 1 September 2011.
- ii. During the six months period ended 30 September 2011, certain share options were exercised to subscribe for 790,000 ordinary shares of the Company at a total consideration of HK\$671,500 of which HK\$7,900 was credited to share capital and the balance of HK\$663,600 was credited to share premium account. The amount of HK\$309,000 has been transferred from the share options reserve to the share premium account in accordance with accounting policy.

13. Capital commitments

	At 30 September 2011 HK\$'000	At 31 March 2011 HK\$'000
Capital expenditure in relation to infrastructure of the cemetery but not provided in the unaudited consolidated financial statements	16,268	–

14. Related party transactions

During the reporting period, the Group has the following related party transactions.

	Three months ended 30 September		Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Rental expense paid to:				
– a director of the Company's subsidiary	–	90	–	180
– a director of the Company	85	180	220	282
	85	270	220	462
Interest on:				
– Loan from a director of the Company (Note (i))	–	–	182	53
– Convertible bonds issued to a director of the Company (Note (ii))	75	75	150	80
– Convertible bonds issued to a director of a jointly-controlled entity (Note (iii))	230	–	461	–
	305	75	793	133
Acquisition of a subsidiary from a director of the Company (Note (iv))	980	–	980	–
Remuneration of directors of the Group:				
– Short-term benefits	1,334	910	2,438	1,663
– Share-based payment	24	–	24	383
	1,358	910	2,462	2,046

Notes:

- (i) For the six months period ended 30 September 2011, the interest was accrued for an unsecured loan borrowed from Mr. Chui, an executive director of the Company, with an aggregate amount HK\$25,000,000. The interest rate was 5% per annum. The loan principal and interest were fully repaid to Mr. Chui in May 2011.

For the six months ended 30 September 2010, the Group has borrowed an unsecured fixed rate loan from TLX Holdings Limited ("TLX"), which is wholly and beneficially Mr. Chui, with aggregate amount of HK\$10,000,000. The interest rate was 3% per annum. The loan principal and interest were fully repaid to TLX in June 2010.

- (ii) The convertible bonds with principal amount of HK\$20,000,000 was issued to New Brilliant Investments Limited, which is wholly owned by Mr. Chui. Details of convertible bonds are set out in note 11 to the unaudited consolidated financial statements.
- (iii) The convertible bonds with principal amount of HK\$30,750,000 was issued to Forrex (Holding) Inc., which is a Director of Era Investment (Holding) Inc., a jointly-controlled entity of the Group. Details of convertible bonds are set out in note 11 to the unaudited consolidated financial statements.
- (iv) On 30 September 2011, the Group acquired entire equity interests in Cheung Shing Funeral Limited ("Cheung Shing"), which was wholly owned by Mr. Chui. Cheung Shing is engaged in provision of funeral services and it owns a undertaker's licence granted by Food and Environmental Hygiene Department.

15. Event after reporting period

On 10 November 2011, the board of Directors has approved to change the financial year end date from 31 March to 31 December. Accordingly, the next financial year end date of the Company will be 31 December 2011. The Company will publish its audited final results for the nine months from 1 April 2011 to 31 December 2011 on or before 31 March 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and operation review

For the six months ended 30 September 2011, the revenue of Group and its jointly-controlled entity have slightly increased by 9% to approximately HK\$5,887,000 (2010: HK\$5,390,000). The revenue was generated from the death care business and automobile trading business, with the amount of approximately HK\$4,484,000 (2010: Nil) and HK\$1,403,000 (2010: HK\$5,390,000) respectively. The death care business was invested by the Group since October 2010, thus, no revenue was recorded in prior period. On the other hand, the revenue from automobile trading was decreased by 74% to approximately HK\$1,403,000 mainly due to the negative effect brought by Japan earthquake which caused uncertainty in demand and market disorder following the incidence.

For the six months ended 30 September 2011, the overall gross profit margin for the Group was 63% (2010: 1%), the significant increase of gross profit was contributed by the death care business during the period. The Group's loss for the period ended 30 September 2011 was approximately HK\$19,510,000 while there was approximately HK\$25,032,000 of loss incurred in prior period. In prior period, the results included the results of a discontinued business of exhibition business. If the loss from discontinued operation of HK\$11,509,000 was excluded from prior period, the Group's loss for the period ended 30 September 2010 was approximately HK\$13,523,000, the increase in the loss for the period was mainly due to increase in administrative expenses and finance costs.

Administrative expenses for the period ended 30 September 2011 rose by 113% to approximately HK\$16,810,000 as compared with the corresponding period in 2010. The increase was mainly attributable to the active rollout of business development plan for the new cemetery and funeral business. During the period, extra work force and office space were deployed in the head quarter in Hong Kong and joint ventures in China.

Finance costs for the period ended 30 September 2011 rose significantly by approximately HK\$4,723,000 to approximately HK\$5,004,000 as a result of the interests on convertible bonds, with the amount of approximately HK\$4,359,000.

Death care business

As mentioned above, the Group has invested into death care business since October 2010 by acquiring interests in two joint ventures in the PRC with cemetery and funeral operation. They are, namely, Suzhou Celebrities Cemetery Industries Co. Limited ("Suzhou Cemetery") with a cemetery operation in Suzhou, Jiangsu Province; and Huai Ji Luck Mountain Funeral Parlour Limited ("Huaiji Parlour"), providing funeral facilities and related services in Guangdong. Moreover, in July 2011, the Group established a joint venture, 畢節敬信陵園管理有限公司 (Bijie Reliance Cemetery Management Company Limited) ("Bijie"). Bijie will engage in sales, management and operation of cemeteries services in Guizhou. Suzhou Cemetery and Huaiji Parlour respectively own land for operating cemetery business of approximately 66,000 square meters and 117,000 square meters.

The Group's revenues from death care business are mainly derived from cemetery operation and provision of funeral services respectively.

- (1) For cemetery operation in Suzhou Cemetery, revenue was primarily derived from sales of interment rights (cremation ground burial, mausoleum spaces, columbarium) and other cremation products.
- (2) For funeral services provided by Huaiji Tarlour, the Group provides a wide range of services that includes the use of funeral home facilities for visitation, memorial services and funeral receptions, transportation services, cremation and the sales of caskets, urns and other related merchandise.

Suzhou Cemetery

The Cemetery has been operating for years prior to the Group's acquisition in 2010 and has maintained a stable revenue. The Group planned to position Suzhou Cemetery into an unique model for high-end customers in Shanghai and Suzhou region. During the period under review, the Group has launched a development plan including redevelopment of certain aged facilities like establishment of a new reception complex with advanced transportation and car park facilities. A number of new decorative features will be installed in the existing facilities so that a more modern and friendly environment will be displaced for high-end customers. The Group also started to strengthen and broaden its sales channels by networking new agents and partners. New customers from Suzhou and Shanghai are expected to be covered by these new channels in the next year.

Huaiji Tarlour

Apart from the current funeral services, Huaiji Tarlour will commence its sales of interment rights in the second half of the years following the completion of the statutory procedures with local government for a new cemetery license. The Group expects this will provide further revenue sources with stable growth in the future years supplementing the current revenue stream from services.

Automobile trading business

This segment accounts for a relatively insignificant part of the Group's revenue and gross profit. In the current period under review, revenue from automobile trading was decreased from approximately HK\$5,390,000 for the six months period ended 30 September 2010 to HK\$1,403,000 for the six months period ended 30 September 2011. This accounts for 24% of the Group's consolidated revenue. The significant drop in the revenue of the automobile trading business for the period under review is mainly due to the fact that the economics in Japan was seriously affected by the earthquake in March 2011. For this unexpected incidence, after finished the order on hand in late March 2011, the Group adopted a more risk-averse strategy and decided to slow down the trading activities relating to the customer in Japan during the first and second quarter in financial year 2011 because of the post-disaster destruction in Japan and the volatile market fluctuation which affect the profitability of the Group's automobile trading business.

Although the Group has planned in earlier of the year to make effort in exploring new market in other countries for this business, as a result of the current crisis happened in most developed countries, it is expected the automobile trading business will not be optimistic. Thus, the Group will keep monitoring the markets with a cautious move and may consider to scale down the operation if necessary.

Prospects

In the view of global trend of ageing problem and with the potential growth in business of cemetery and funeral services, in particular, in the PRC where the population size is vast with growing economy, the Group will continue to explore opportunities through both merger and acquisition opportunities and organic growth in cemetery, funeral and other related business in the PRC. Building on its extensive experience of the management team, solid financial position and strong professional management team that will accelerate the Group's pace to expand its scale of operation and its market share. The Group also committed to build up a professional team of experts in funeral services and cemetery management.

Following the completion of the issue of a five years zero coupon convertible bonds of US\$12,500,000 (equivalent to approximately HK\$97,175,000) in May 2011 to AXA Direct Asia II, L.P. ("AXA"), the Group established a stronger financial back up to invest and operate in its death care business and for the future investment opportunities in the same industry.

In the long run, the Group aspires to be a pioneer revolutionizing the funeral industry and act of remembrances by providing innovative and comprehensive solutions to the market and intends to become a market leader in the PRC death care industry.

Liquidity and financial resources

The Group maintains a healthy financial position. As at 30 September 2011, the Group had bank balances and cash of approximately HK\$62,886,000 (31 March 2011: HK\$5,971,000). The increase of bank balances and cash was mainly due to the receipt of proceeds from issue of US\$12,500,000 (equivalent to approximately HK\$97,175,000) five years zero coupon convertible bonds to AXA, a reputed private equity group.

As at 30 September 2011, net current assets and current ratio of the Group were approximately HK\$32,729,000 (31 March 2011: net current liabilities HK\$23,086,000) and 1.83 (31 March 2011: 0.41) respectively.

The equity attributable to the owner of the Company for the period ended 30 September 2011 was approximately HK\$95,334,000 (31 March 2011: HK\$67,254,000) which shows a significant increase of approximately HK\$28,080,000.

As at 30 September 2011, the total liabilities of approximately HK\$127,362,000 (31 March 2011: HK\$98,209,000) which mainly consist of convertible bonds of HK\$100,343,000 (31 March 2011: HK\$44,597,000).

The gearing ratio (based on the total liabilities over the equity attributable to the owner of the Company) of the Group was improved from the ratio of 1.46 as at 31 March 2011 to the ratio of 1.34 as at 30 September 2011.

The Board will review the capital structure of the Group on a regular basis and, when necessary, to capture favorable capital raising opportunity in order to ensure a well foundation for the Group to cope with its future business growth and expansion.

Investment position and planning

On 6 July 2011, the Group entered into the joint venture agreement with Bijie, an independent third party, in relation to the establishment of the Joint Venture Company ("JV Company") for the business in relation to sales, management and operation of cemeteries. The Group will indirectly own 60% of the interests in the JV Company. The Group contributed RMB20,000,000 as registered capital of the JV Company in September 2011.

Investment held and material acquisitions and disposals

Except for the formation of JV Company as disclosed in above section "Investment position and planning", the Group had not made any material acquisition or disposal during the period.

Employees and remuneration policies

As at 30 September 2011, the Group and its jointly-controlled entities had 91 (2010: 78) employees, including Directors. Total staff costs for the six months ended 30 September 2011, including Directors' remuneration, amounted to approximately HK\$8,164,000 (2010: approximately HK\$15,435,000). The Group's employment and remuneration policies remained the same as detailed in the Annual Report 2011.

Charges on Group's assets and contingent liabilities

There were no charges on the Group's assets or any significant contingent liabilities as at 30 September 2011.

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

As at 30 September 2011, 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 and underlying shares of the Company

Number of ordinary shares and underlying shares beneficially held

Name of Directors	Capacity	Notes	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	2	100,396,000	416,666,666	517,062,666	51.10%
	Personal	3	4,000	8,800,000	8,804,000	0.87%
	Person acting in concert	4	-	493,274,111	493,274,111	48.75%
			100,400,000	918,740,777	1,019,140,777	100.72%
Mr. Kwok Kwan Hung	Personal	5	440,000	6,400,000	6,840,000	0.68%
Mr. Law Yee Man, Thomas	Personal	5	400,000	400,000	800,000	0.08%
Mr. Chan Wai Man	Personal	5	180,000	200,000	380,000	0.04%

Notes:

- On 31 August 2011, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company pursuant to which each of the issued and unissued share of HK\$0.01 each was subdivided into four shares of HK\$0.0025 each with effect from 1 September 2011.
- New Brilliant Investments Limited ("New Brilliant") was interested in 100,396,000 shares and, pursuant to a subscription agreement dated 22 April 2010 (as supplemented by the supplemental agreement), New Brilliant agreed to subscribe for the convertible bonds in the principal amount of HK\$20,000,000 to be issued by the Company at an initial conversion price of HK\$0.04 per share and subsequently adjusted to HK\$0.048 per share. Accordingly, New Brilliant was interested in 416,666,666 underlying shares of the Company derived from the convertible bonds. New Brilliant is wholly and beneficially owned by Mr. Chui Bing Sun ("Mr. Chui"), an executive Director of the Company.

- 3 Mr. Chui had a personal interest in 4,000 shares and 8,800,000 underlying shares of the Company. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 8,800,000 shares at exercise price of HK\$0.50.
- 4 Mr. Chui was deemed to be interested in 493,274,111 underlying shares in respect of the convertible bonds issued by the Company to AXA Direct Asia II, L.P., a party acting in concert with him.
- 5 For details of the underlying shares, please refer to the next section headed "share options" which stated all the details of share options granted to directors.

Save as disclosed above and in the following section "share options", 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 corporations as at 30 September 2011.

Share options

Pursuant to the new share option scheme adopted by the Company on 31 August 2011, certain participants were granted share options to subscribe for the Company's shares, details of share options outstanding and exercisable as at 30 September 2011 were as follows:

Name of Directors	Number of share options				Outstanding and exercisable as at 30 September 2011	Date of grant of share options	Exercise period of share options	Exercise price per share (adjusted)
	Adjusted outstanding as at 1 April 2011	Granted during the period	Exercised during the period	Lapsed during the period				
Category 1: Directors								
Mr. Chui Bing Sun	8,800,000	-	-	-	8,800,000	22 March 2011	22 March 2011 – 21 March 2021	HK\$0.500
Mr. Kwok Kwan Hung	320,000	-	-	-	320,000	15 February 2008	15 February 2008 – 14 February 2018	HK\$0.825
	3,400,000	-	(2,400,000)	-	1,000,000	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.213
	1,280,000	-	-	-	1,280,000	12 August 2010	12 August 2010 – 11 August 2020	HK\$0.588
	3,800,000	-	-	-	3,800,000	3 December 2010	3 December 2010 – 2 December 2020	HK\$0.533
Mr. Law Yee Man, Thomas	-	400,000	-	-	400,000	12 August 2011	12 August 2011 – 11 August 2021	HK\$0.438
Mr. Chan Wai Man	200,000	-	-	-	200,000	15 February 2008	15 February 2008 – 14 February 2018	HK\$0.825
	180,000	-	(180,000)	-	-	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.213
Mr. Leung Chi Kong (resigned with effective on 31 August 2011)	200,000	-	-	(200,000) (Note 1)	-	15 February 2008	15 February 2008 – 14 February 2018	HK\$0.825
	180,000	-	(180,000)	-	-	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.213
Total	18,360,000	400,000	(2,760,000)	(200,000)	15,800,000			

Number of share options

Category of participants	Adjusted outstanding as at 1 April 2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding and exercisable as at 30 September 2011	Date of grant of share options	Exercise period of shares options	Exercise price per share (adjusted)
Category 2: Consultants/employees								
Employee	3,200,000	-	-	-	3,200,000	14 December 2007	14 December 2007 – 13 December 2017	HK\$0.700
Employees	11,800,000	-	(400,000)	-	11,400,000	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.213
Consultant	4,640,000	-	-	-	4,640,000	12 August 2010	12 August 2010 – 11 August 2020	HK\$0.588
Consultant	1,132,000	-	-	-	1,132,000	6 September 2010	6 September 2010 – 5 September 2020	HK\$0.495
Employees	8,600,000	-	-	-	8,600,000	9 September 2010	9 September 2010 – 8 September 2020	HK\$0.573
Employees	6,400,000	-	-	-	6,400,000	13 September 2010	13 September 2010 – 12 September 2020	HK\$0.535
Employees	10,000,000	-	-	-	10,000,000	3 December 2010	3 December 2010 – 2 December 2020	HK\$0.533
Consultant	8,800,000	-	-	-	8,800,000	22 March 2011	22 March 2011 – 21 March 2021	HK\$0.500
Consultant	-	10,000,000	-	-	10,000,000	12 August 2011	12 August 2011 – 11 August 2021	HK\$0.438
Total	54,572,000	10,000,000	(400,000)	-	64,172,000			
Total of all categories	72,932,000	10,400,000	(3,160,000)	(200,000)	79,972,000			
Weighted average exercise price	HK\$0.476	HK\$0.438	HK\$0.213	HK\$0.825	HK\$0.480			

Notes:

- The share options were lapsed during the six months period ended 30 September 2011 upon the resignation of Mr. Leung Chi Kong.
- Save as disclosed above, no share options have been cancelled or lapsed during the six months period ended 30 September 2011.

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

As at 30 September 2011, 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:

Long positions and short positions in the shares and underlying shares of the Company

Number of ordinary shares and underlying shares beneficially held

Name	Capacity	Notes	Number of shares	Number of underlying shares	Total number of shares and underlying shares held	Long/short position	Percentage of interests
New Brilliant Investments Limited	Beneficial owner	2	100,396,000	416,666,666	517,062,666	Long position	51.10%
Mr. Chui Bing Sun	Interest of a controlled corporation	2	100,396,000	416,666,666	517,062,666	Long position	51.10%
	Beneficial owner	3	4,000	8,800,000	8,804,000	Long position	0.87%
	Person acting in concert	4	-	493,274,111	493,274,111	Long position	48.75%
			100,400,000	918,740,777	1,019,140,777	Long position	100.72%
AXA PE Asia Manager Limited	Beneficial owner	5	-	493,274,111	493,274,111	Long position	48.75%
		6	-	369,955,582	369,955,582	Short position	36.56%
MM3 International Limited	Beneficial owner	7	120,000,000	-	120,000,000	Long position	11.86%
Forrex (Holding) Inc	Beneficial owner	8	-	130,296,610	130,296,610	Long position	12.88%
Mr. Luwen Kevin Duan	Interest of controlled corporations	7 and 8	120,000,000	130,296,610	250,296,610	Long position	24.74%
Capital VC Limited	Beneficial owner		192,444,000	-	192,444,000	Long position	19.02%
Mr. Li Siu Kim	Beneficial owner		90,666,664	-	90,666,664	Long position	8.96%
Mr. Wang Zhen Ze	Beneficial owner		80,000,000	-	80,000,000	Long position	7.91%

Notes:

- 1 On 31 August 2011, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company pursuant to which each of the issued and unissued share of HK\$0.01 each was subdivided into four shares of HK\$0.0025 each with effect from 1 September 2011.
- 2 New Brilliant was interested in 100,396,000 shares and, pursuant to a subscription agreement dated 22 April 2010 (as supplemented by the supplemental agreement), New Brilliant agreed to subscribe for the convertible bonds in the principal amount of HK\$20,000,000 to be issued by the Company at an initial conversion price of HK\$0.04 per share and subsequently adjusted to HK\$0.048 per share. Accordingly, New Brilliant was interested in 416,666,666 underlying shares of the Company derived from the convertible bonds. New Brilliant is wholly and beneficially owned by Mr. Chui.
- 3 Mr. Chui had a personal interest in 4,000 shares and 8,800,000 underlying shares of the Company.
- 4 Mr. Chui was deemed to be interested in 493,274,111 underlying shares in respect of the convertible bonds issued by the Company to AXA Direct Asia II, L.P., a party acting in concert with him.
- 5 AXA PE Asia Manager Limited, a company incorporated in Jersey which is registered under the Jersey Financial Services Commission, managed the fund of AXA Direct Asia II, L.P. ("AXA Direct"). AXA Direct and Mr. Chui are parties acting in concert.

Pursuant to a subscription agreement dated 14 March 2011 (as supplemented by the supplemental agreement), AXA Direct agreed to subscribe for the convertible bonds in the principal amount of US\$12,500,000 (equivalent to approximately HK\$97,175,000) to be issued by the Company at an initial conversion price of HK\$0.787 per share and subsequently adjusted to HK\$0.197 per share. Accordingly, AXA Direct was interested in 493,274,111 underlying shares of the Company derived from the convertible bonds.
- 6 A call option deed and put option deed were entered between AXA Direct and New Brilliant, in which call option deed required AXA Direct to sell New Brilliant the convertible bonds up to maximum principal amount of the lesser of (i) US\$6,250,000; or (ii) the difference between US\$12,500,000 and the aggregate principal amount of the convertible bonds and related conversion shares disposed of by AXA Direct. The put option deed required New Brilliant to purchase from AXA Direct the convertible bonds up to maximum principal amount US\$3,125,000 that are outstanding at the maturity date.
- 7 MM3 International Limited is wholly and beneficially owned by Mr. Luwen Kevin Duan ("Mr. Duan").
- 8 The 3% convertible bonds of the Company in the principal amount of HK\$30,750,000 was held by Forrex (Holding) Inc ("Forrex"), which are convertible into 130,296,610 shares at the adjusted conversion price of HK\$0.236. Forrex is wholly and beneficially owned by Mr. Duan. Forrex is a Director of Era Investment (Holding) Inc., a jointly-controlled entity of the Group.

Save as disclosed above, as at 30 September 2011, 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 six months ended 30 September 2011.

Competing interests

The Directors are not aware of, as at 30 September 2011, 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 six months ended 30 September 2011.

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 six months ended 30 September 2011, 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. 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.

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 six months ended 30 September 2011.

Remuneration committee

The Company has established a Remuneration Committee ("RC") with specific terms of reference which deals clearly with its authorities and duties. During the period under review, the RC comprised of three members, namely Mr. Siu Hi Lam, Alick (Chairman of RC), Mr. Chan Wai Man and Mr. Law Yee Man, Thomas, 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 November 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. Law Yee Man, Thomas
Mr. Siu Hi Lam, Alick