

“Benevolence is our core value
& Revolutionizing the death
care industry through innovative
thinking is our mission”

Third Quarterly Report **2012**



Sage International Group Limited

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

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

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

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

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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/ 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

NOMINATION COMMITTEE

Mr. Law Yee Man, Thomas (*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

SOLICITOR

Michael Li & Co.

REGISTERED OFFICE

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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Wanchai Hong Kong

PRINCIPAL SHARE REGISTRAR

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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

CONTACT INFORMATION

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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 nine months ended 30 September 2012 together with the comparative audited figures for the corresponding periods in 2011 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2012

	Notes	Three months ended		Nine months ended	
		30 September 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)	30 September 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
CONTINUING OPERATIONS					
Revenue	2	3,321	2,648	10,271	7,132
Cost of sales		(1,253)	(909)	(3,846)	(2,574)
Gross profit		2,068	1,739	6,425	4,558
Other income	2	251	739	754	1,134
Share-based payment		(1,168)	(1,949)	(5,178)	(3,769)
Sales and marketing expenses		(241)	(389)	(1,477)	(894)
Administrative expenses		(9,771)	(13,026)	(27,302)	(28,414)
Finance costs	3	(3,065)	(3,018)	(9,622)	(8,023)
LOSS BEFORE TAX		(11,926)	(15,904)	(36,400)	(35,408)
Income tax expense	4	-	-	-	-
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(11,926)	(15,904)	(36,400)	(35,408)
DISCONTINUED OPERATION					
Loss for the period from a discontinued operation	5	-	-	-	(7)
LOSS FOR THE PERIOD		(11,926)	(15,904)	(36,400)	(35,415)
Attributable to:					
Owners of the Company		(11,916)	(15,694)	(36,370)	(35,163)
Non-controlling interests		(10)	(210)	(30)	(252)
		(11,926)	(15,904)	(36,400)	(35,415)
Dividend	6	-	-	-	-
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Basic (HK cents per share)	7				
- For loss for the period		(0.79)	(1.55)	(2.96)	(3.48)
- For loss from continuing operations		(0.79)	(1.55)	(2.96)	(3.48)
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 nine months ended 30 September 2012

	Three months ended		Nine months ended	
	30 September 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)	30 September 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Loss for the period	(11,926)	(15,904)	(36,400)	(35,415)
Other comprehensive loss:				
Exchange differences on translating foreign operations	(128)	(355)	110	(476)
Total comprehensive loss for the period	(12,054)	(16,259)	(36,290)	(35,891)
Total comprehensive loss attributable to:				
Owners of the Company	(12,044)	(16,049)	(36,260)	(35,639)
Non-controlling interests	(10)	(210)	(30)	(252)
	(12,054)	(16,259)	(36,290)	(35,891)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2012

	Attributable to owners of the Company											
	Share capital	Share premium	Contributed surplus	Translation reserve	Share options reserve	Warrants 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 2011 (Audited)	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	-	-	-	(476)	-	-	-	(35,163)	(35,639)	(252)	(35,891)	
Issue of convertible bonds	-	-	-	-	-	-	45,177	-	45,177	-	45,177	
Capital contribution from non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	16,291	16,291	
Lapsed of share options	-	-	-	-	(272)	-	-	272	-	-	-	
Equity-settled warrants arrangement	-	-	-	-	-	2,041	-	-	2,041	-	2,041	
Equity-settled share options arrangement	-	-	-	-	1,728	-	-	-	1,728	-	1,728	
Issue of shares for exercise of share options	8	973	-	-	(309)	-	-	-	672	-	672	
At 31 December 2011 and 1 January 2012 (Audited)	2,530	43,221	31,713	(719)	9,961	2,041	52,623	(60,137)	81,233	9,273	90,506	
Total comprehensive loss for the period	-	-	-	110	-	-	-	(36,370)	(36,260)	(30)	(36,290)	
Issue of new shares under the Rights Issue	1,265	49,330	-	-	-	-	-	-	50,595	-	50,595	
Transaction costs attributable to issue of shares	-	(520)	-	-	-	-	-	-	(520)	-	(520)	
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	(103)	(103)	
Equity-settled share options arrangement	-	-	-	-	365	-	-	-	365	-	365	
Equity-settled warrants arrangement	-	-	-	-	-	4,813	-	-	4,813	-	4,813	
At 30 September 2012 (Unaudited)	3,795	92,031	31,713	(609)	10,326	6,854	52,623	(96,507)	100,226	9,140	109,366	

NOTES TO THE UNAUDITED CONDENSED 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 annual financial statements for the nine months ended 31 December 2011 ("2011 Annual Report"). The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the Company's 2011 Annual Report.

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. REVENUE AND OTHER INCOME

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

	Three months ended		Nine months ended	
	30 September 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)	30 September 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Revenue				
Cemetery operation and funeral services income	3,321	2,648	10,271	7,132

No revenue generated from the trading of automobile and accessories during the period ended 31 December 2011.

Details of the segment result for the trading of automobile and accessories in prior period refers to note 5 to the unaudited condensed consolidated financial statements. No segment information is presented.

	Three months ended		Nine months ended	
	30 September 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)	30 September 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Other income				
Interest income on bank deposits	52	80	73	295
Sundry income	199	659	681	839
	251	739	754	1,134

3. FINANCE COSTS

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

	Three months ended		Nine months ended	
	30 September 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)	30 September 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Interests on:				
– Other borrowings wholly repayable within five years	–	14	79	182
– Other borrowings wholly repayable after five years	51	209	779	667
– Convertible bonds	3,014	2,795	8,764	7,154
– Others	–	–	–	20
	3,065	3,018	9,622	8,023

4. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

5. DISCONTINUED OPERATION

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

The results of the discontinued operation for the period ended 31 December 2011 are presented below:

	Three months ended		Nine months ended	
	30 September 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)	30 September 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Revenue	–	1,566	–	2,969
Expenses	–	(1,566)	–	(2,976)
Loss before tax	–	–	–	(7)
Income tax expense	–	–	–	–
Loss for the period from the discontinued operation	–	–	–	(7)

	Three months ended		Nine months ended	
	30 September 2012 (Unaudited)	31 December 2011 (Audited)	30 September 2012 (Unaudited)	31 December 2011 (Audited)
Loss per share: (HK cents per share)				
From the discontinued operation				
– Basic	-	-	-	-
– Diluted	N/A	N/A	N/A	N/A

6. DIVIDEND

The Directors do not recommend the payment of dividend nor transfer of any amount to reserves for the nine months period ended 30 September 2012 (31 December 2011: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share amount is based on the loss for the three months and nine months periods ended 30 September 2012 attributable to owners of the Company, and the weighted average number of ordinary shares of 1,517,837,994 and 1,229,781,148 respectively (31 December 2011: 1,011,892,000 and 1,011,632,218 respectively) in issue during the period.

No diluted loss per share has been calculated for both periods ended 30 September 2012 and 31 December 2011 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		Nine months ended	
	30 September 2012 <i>HK\$'000</i> (Unaudited)	31 December 2011 <i>HK\$'000</i> (Audited)	30 September 2012 <i>HK\$'000</i> (Unaudited)	31 December 2011 <i>HK\$'000</i> (Audited)
Loss				
Loss attributable to owners of the Company used in the basic loss per share calculation:				
– From continuing operations	(11,916)	(15,694)	(36,370)	(35,156)
– From a discontinued operation	-	-	-	(7)
	(11,916)	(15,694)	(36,370)	(35,163)
Interest on convertible bonds	3,014	2,795	8,764	7,154
Loss attributable to owners of the Company before interest on convertible bonds	(8,902)	(12,899)	(27,606)	(28,009)
Attributable to:				
Continuing operations	(8,902)	(12,899)	(27,606)	(28,002)
Discontinued operation	-	-	-	(7)
	(8,902)	(12,899)	(27,606)	(28,009)

	Three months ended		Nine months ended	
	30 September 2012 (Unaudited)	31 December 2011 (Audited)	30 September 2012 (Unaudited)	31 December 2011 (Audited)
Number of shares				
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	1,517,837,994	1,011,892,000	1,229,781,148	1,011,632,218
Weighted average number of ordinary shares used in the diluted loss per share calculation	N/A	N/A	N/A	N/A

8. INVESTMENTS IN JOINTLY-CONTROLLED ENTITY

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

	Three months ended		Nine months ended	
	30 September 2012 <i>HK\$'000</i> (Unaudited)	31 December 2011 <i>HK\$'000</i> (Audited)	30 September 2012 <i>HK\$'000</i> (Unaudited)	31 December 2011 <i>HK\$'000</i> (Audited)
Share of the jointly-controlled entity's income and expenses:				
Income	1,509	1,428	4,911	3,210
Expenses	(1,508)	(2,331)	(4,905)	(4,414)
Profit/(loss) after tax	1	(903)	6	(1,204)

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and operation review

For the nine months ended 30 September 2012, the revenue of Group and its jointly-controlled entity have increased by 44.01% to approximately HK\$10,271,000 (nine months ended 31 December 2011: HK\$7,132,000). The revenue was generated from the business of cemetery and crematory operation and the provision of funeral services. The increase is mainly due to better sales results of Suzhou Cemetery following the completion of renovation and upgrading works in mid 2012. Moreover, income from crematory operation in Huaiji Parlour also recorded a stable growth.

For the nine months ended 30 September 2012, the gross profit for the Group was approximately HK\$6,425,000 (nine months ended 31 December 2011: HK\$4,558,000). The overall gross profit margin for the Group was 62.55% during the current period which is similar to that of last corresponding period of 63.91%. The loss for the period ended 30 September 2012 was approximately HK\$36,400,000 while approximately HK\$35,415,000 of loss incurred for the nine months ended 31 December 2011. The loss is mainly the result of the fixed administrative expenses of HK\$27,302,000 (nine months ended 31 December 2011: HK\$28,414,000) which including staff costs, premises rental and legal and professional fee. The Board believes that the present costs and expenses are essential in the development stage of the Group for achieving the market position and is also of an optimistic view that the Group's results will be improving in the coming future as the contribution of the current business is increasing. The recent revenue increase marked a positive sign in this direction. Currently, the cemetery operation and funeral service business are catching up the momentum following the Group's recent new strategies and development programmes launched in this year. It is the Company's long term plan that the Group will establish its leading market position in the industry in Greater China and it will strive to achieve a remarkable operating scale in the coming future.

The PRC

Suzhou Cemetery

The renovation of the cemetery site has completed in August 2012. With the new decorated landscape, modern and friendly environment and together with the high-end site facilities, Suzhou Cemetery has become one of the most prominent high-end cemeteries in China.

Huaiji Parlour

Apart from the current funeral and crematory services, the application of cemetery license of Huaiji Crematory also in progress and county level approval has been obtained in principle. However, additional time is still required for compliance with certain local regulations and therefore, the expected time for obtaining the cemetery license and land use right will be postponed for a few months. Notwithstanding that, there has been a stable growth of revenue generated from the crematory services.

Bijie Cemetery

Due to the unsatisfactory weather condition and additional requirement in obtaining certain working permits for construction of the cemetery, the expected time of business commencement will be postponed to the first half of 2013. Meanwhile, the construction of foundation work and amenity facilities are in progress during the period.

Hong Kong

Funeral Services

The Group has committed to use its funeral undertaking license to provide high quality of one-stop funeral services in Hong Kong. The funeral shop in Hung Hom, Hong Kong, was under rebranding and renovation during the third quarter of 2012. New funeral services packages have been launched at an affordable price to customer. The new shop has provided a refreshed and people-oriented environment for those family in need.

Preneed Services

The Group intends to launch its self-developed preneed products in Hong Kong by end of 2012. Preneed products are in the form of a contract between the service provider and customer so as to enable the customer to plan in advance of his own funeral event. The customer can lock in the price of the funeral service by such prepaid contract to avoid any future increase in costs of the funeral services. A formal trust arrangement will also be established to safeguard the customers' assets under this arrangement. In the long run, the Group plans to work with insurance company on new product development.

Prospects

In view of the global trend of ageing population and with the potential growth in business of cemetery and funeral services, in particular, in China 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 Greater China region. The Group has recently become the member of National Funeral Directors Association ("NFDA") which is the worldwide source of expertise and professional resources for all facets of funeral service.

The Group will continuously concentrate on the business in three major areas: (i) cemetery operation and management, (ii) funeral service and (iii) preneed services. Furthermore, the Group is actively looking for potential investment in regards of related business and will also develop business in other elderly areas when suitable opportunities arise. The revenue of the Group is expected to increase based on these three core businesses when they become mature.

Employees and remuneration policies

As at 30 September 2012, the Group and its jointly-controlled entity had 99 (nine months ended 31 December 2011: 98) employees, including Directors. Total staff costs for the nine months ended 30 September 2012, including Directors' remuneration, amounted to approximately HK\$9,979,000 (nine months ended 31 December 2011: HK\$9,319,000). The Group's employment and remuneration policies remained the same as detailed in the nine months ended 31 December 2011 Annual Report.

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 2012.

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

As at 30 September 2012, 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

(A) Number of ordinary shares and underlying shares beneficially held

Name of Directors	Capacity	Notes	Number of issued ordinary shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of the issued share capital of the Company
Mr. Chui Bing Sun ("Mr. Chui")	Interest of a controlled corporation	1	183,594,000	512,820,512	696,414,512	45.88%
	Personal	2	6,000	9,832,653	9,838,653	0.65%
	Person acting in concert	3	-	603,571,428	603,571,428	39.77%
			183,600,000	1,126,224,593	1,309,824,593	86.30%
Mr. Kwok Kwan Hung	Personal	4	660,000	18,324,489	18,984,489	1.25%
Mr. Law Yee Man, Thomas	Personal	4	600,000	1,117,346	1,717,346	0.11%
Mr. Chan Wai Man	Personal	4	270,000	1,340,816	1,610,816	0.11%
Mr. Siu Hi Lam, Alick	Personal	4	-	1,117,347	1,117,347	0.07%

Notes:

1. New Brilliant Investments Limited ("New Brilliant") was interested in 183,594,000 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 adjusted conversion price of HK\$0.039 per share upon the completion of Rights Issue on 4 June 2012. Accordingly, New Brilliant was interested in 512,820,512 underlying shares of the Company derived from the convertible bonds. New Brilliant is wholly and beneficially owned by Mr. Chui, an executive Director of the Company.
2. Mr. Chui had a personal interest in 6,000 shares and 9,832,653 underlying shares of the Company upon the completion of Rights Issue on 4 June 2012. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 9,832,653 shares at adjusted exercise price of HK\$0.447 per share.
3. Mr. Chui was deemed to be interested in 603,571,428 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.
4. For details of the underlying shares, please refer to the section headed "Share options" which stated all the details of share options granted to directors.

(B) Warrants

Name	Capacity	Number of warrants held	Number of underlying shares
Mr. Richard Andrew Connell	Beneficial owner	64,811,682	64,811,682
Ms. Ma Pun Sai, Betsy	Beneficial owner	44,928,005	44,928,005

Save as disclosed above and in the following section "Share options," none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2012.

(C) Share options

Pursuant to the new share options scheme adopted by the Company on 31 August 2011, certain Directors and participants were granted share options to subscribe for the Company's shares, details of share options outstanding and exercisable as at 30 September 2012 were as follows:

	Number of share options			Adjusted outstanding as at 30 September 2012	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2012	Granted during the period	Exercised during the period				
Category 1: Directors							
Mr. Chui	9,832,653	-	-	9,832,653	22 March 2011	22 March 2011 – 21 March 2021	HK\$0.447
Mr. Kwok Kwan Hung	357,551	-	-	357,551	15 February 2008	15 February 2008 – 14 February 2018	HK\$0.738
	1,117,347	-	-	1,117,347	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.191
	1,430,204	-	-	1,430,204	12 August 2010	12 August 2010 – 11 August 2020	HK\$0.526
	4,245,918	-	-	4,245,918	3 December 2010	3 December 2010 – 2 December 2020	HK\$0.477
	11,173,469	-	-	11,173,469	5 December 2011	5 December 2011 – 4 December 2021	HK\$0.254
Mr. Chan Wai Man	223,469	-	-	223,469	15 February 2008	15 February 2008 – 14 February 2018	HK\$0.738
	1,117,347	-	-	1,117,347	5 December 2011	5 December 2011 – 4 December 2021	HK\$0.254
Mr. Law Yee Man, Thomas	446,938	-	-	446,938	12 August 2011	12 August 2011 – 11 August 2021	HK\$0.392
	670,408	-	-	670,408	5 December 2011	5 December 2011 – 4 December 2021	HK\$0.254
Mr. Siu Hi Lam, Alick	1,117,347	-	-	1,117,347	5 December 2011	5 December 2011 – 4 December 2021	HK\$0.254
	31,732,651	-	-	31,732,651			

	Number of share options			Adjusted outstanding as at 30 September 2012	Date of grant	Exercise period	Adjusted exercise price per share
	Adjusted outstanding as at 1 January 2012	Granted during the period	Exercised during the period				
Category 2: Employees/Consultants							
Employee	3,575,510	-	-	3,575,510	14 December 2007	14 December 2007 – 13 December 2017	HK\$0.626
Employees	12,737,755	-	-	12,737,755	7 July 2010	7 July 2010 – 6 July 2020	HK\$0.191
Employees	9,609,183	-	-	9,609,183	9 September 2010	9 September 2010 – 8 September 2020	HK\$0.513
Employees	7,151,020	-	-	7,151,020	13 September 2010	13 September 2010 – 12 September 2020	HK\$0.479
Employees	5,810,204	-	-	5,810,204	3 December 2010	3 December 2010 – 2 December 2020	HK\$0.477
Consultant	5,184,489	-	-	5,184,489	12 August 2010	12 August 2010 – 11 August 2020	HK\$0.526
Consultant	1,264,836	-	-	1,264,836	6 September 2010	6 September 2010 – 5 September 2020	HK\$0.443
Consultant	9,832,653	-	-	9,832,653	22 March 2011	22 March 2011 – 21 March 2021	HK\$0.447
	55,165,650	-	-	55,165,650			
Total	86,898,301	-	-	86,898,301			

Upon the completion of the rights issue on 4 June 2012, the exercise prices per share and the number of Shares to be issued under the outstanding Share Options were adjusted as above.

There were no share options cancelled, lapsed or forfeited during the nine months ended 30 September 2012.

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

As at 30 September 2012, 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 and Section 336 of the SFO, were as follows:

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	Beneficial owner	1	183,594,000	512,820,512	696,414,512	Long	45.88%
Mr. Chui	Interest of a controlled corporation	1	183,594,000	512,820,512	696,414,512	Long	45.88%
	Beneficial owner	2	6,000	9,832,653	9,838,653	Long	0.65%
	Person acting in concert	3	–	603,571,428	603,571,428	Long	39.77%
			183,600,000	1,126,224,593	1,309,824,593		86.30%
AXA PE Asia Manager Limited	Beneficial owner	3	–	603,571,428	603,571,428	Long	39.77%
	Person acting in concert	4	–	706,253,165	706,253,165	Long	46.53%
				–	1,309,824,593	1,309,824,593	
		5	–	452,678,571	452,678,571	Short	29.82%
MM3 International Limited	Beneficial owner	6	100,000,000	–	100,000,000	Long	6.59%
Forrex (Holding) Inc ("Forrex")	Beneficial owner	7	–	159,326,424	159,326,424	Long	10.50%
Mr. Luwen Kevin Duan ("Mr. Duan")	Interest of controlled corporations	6 and 7	100,000,000	159,326,424	259,326,424	Long	17.09%
Mr. Ho Sai Lon Mark	Beneficial owner		252,226,441	–	252,226,441	Long	16.62%
Capital VC Limited	Beneficial owner		187,754,000	–	187,754,000	Long	12.37%
Ms. Ma Pun Sai, Betsy	Beneficial owner		46,968,000	44,928,005	91,896,005	Long	6.05%
Mr. Li Siu Kim	Beneficial owner		90,666,664	–	90,666,664	Long	5.97%
Longlife Group Holdings Limited	Beneficial owner		77,768,000	–	77,768,000	Long	5.12%

Notes:

1. New Brilliant was interested in 183,594,000 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 adjusted conversion price of HK\$0.039 per share upon the completion of rights issue on 4 June 2012. Accordingly, New Brilliant was interested in 512,820,512 underlying shares of the Company derived from the convertible bonds. New Brilliant is wholly and beneficially owned by Mr. Chui.
2. Mr. Chui had a personal interest in 6,000 shares and 9,832,653 underlying shares of the Company.
3. Mr. Chui was deemed to be interested in 603,571,428 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.
4. 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"). Pursuant to a subscription agreement dated 14 March 2011 (as supplemented by the supplemental agreement), AXA 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 adjusted conversion price of HK\$0.161 per share upon the completion of rights issue on 4 June 2012, which represented 603,571,428 shares. AXA was deemed to be interested in 706,253,165, representing (i) 696,414,512 shares and underlying shares in respect of the convertible bonds issued by the Company to New Brilliant and (ii) 9,838,653 shares and underlying shares of options held by Mr. Chui, respectively; Mr. Chui and AXA are parties acting in concert.
5. A call option deed and put option deed were entered between AXA and New Brilliant, in which call option deed required AXA 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. The put option deed required New Brilliant to purchase from AXA the convertible bonds up to maximum principal amount US\$3,125,000 that are outstanding at the maturity date.
6. MM3 International Limited is wholly and beneficially owned by Mr. Duan, who is a director and wholly owned beneficial owner of Forrex, a corporate director of a jointly-controlled entity of the Company.
7. The 3% convertible bonds of the Company in an aggregate principal amount of HK\$30,750,000 was held by Forrex, which are convertible into 159,326,424 shares at adjusted conversion price of HK\$0.193 per share upon the completion of rights issue on 4 June 2012. Forrex is wholly and beneficially owned by Mr. Duan. Forrex is a corporate director of a jointly-controlled entity of the Company.

Save as disclosed above, as at 30 September 2012, 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 and Section 336 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.

Advance to entity

As nine months ended 30 September 2012, the aggregated amount of advances made by the Company to the jointly-controlled entity of the Group as working capital and capital expenditure, approximately HK\$22,747,000, represents approximately 9.18% of the total assets value of the Group under the assets ratio (as defined under Rule 19.07(1) of the GEM Listing Rules), it constitutes as advance to entity under Rule 17.15 of the GEM Listing Rules.

The amounts are interest-free and repayable on demand.

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 30 September 2012.

Director's interests in competing business

During the period ended 30 September 2012 and up to the date of this report, Mr. Chui, the Chairman and executive Director of the Company, is considered to have interests in the business which potentially compete, either directly or indirectly, with the business of the Group.

Mr. Chui has certain interests of companies which consist of death care and related businesses; among them, one of which is incorporated in Hong Kong, with its subsidiary, engaged in cemetery investments including potential acquisitions and management rights of cemetery operation in China. As such, the Board believes that Mr. Chui may, in some respects, regard as being interested in such competing business (the "Competing Businesses") with the Group.

However, all these Competing Businesses are operating and managing by independent management and administration and the boards of the Competing Businesses are independent from the Board of the Company. Mr. Chui is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its shareholders as a whole. Accordingly, the Group is capable of carrying on its business independently of, and at arm's length from, the Competing Businesses mentioned above.

On 5 September 2012, the Company announced that the Group has entered into a Memorandum of Understanding ("MOU") with Mr. Chui, in respect of the possible acquisition of a Beijing Cemetery. The Company is still under the progress of due diligence as of the reporting date.

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 30 September 2012.

Compliance with Corporate Governance Practices

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "CG Code") during the period under review, save for the deviation from code provisions A.2.1 is explained in the paragraph below.

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 30 September 2012, Mr. Chui 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.

Save as the non-compliance with Code provision A2.1 as described above, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") throughout the period under review. 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 nine months ended 30 September 2012.

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

Hong Kong, 14 November 2012

As at the date of this report, the executive Directors are Mr. Chui Bing Sun and Mr. Kwok Kwan Hung; and the independent non-executive Directors are Mr. Chan Wai Man, Mr. Law Yee Man, Thomas and Mr. Siu Hi Lam, Alick.