



Sage International Group Limited
First Quarterly Report 2013

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

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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

NOMINATION COMMITTEE

Mr. Law Yee Man, Thomas (*Chairman*)
Mr. Chan Wai Man
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

AUDITOR

PricewaterhouseCoopers

SOLICITOR

Michael Li & Co.

REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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PRINCIPAL SHARE REGISTRAR

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26 Burnaby Street
Hamilton HM11
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
Citibank, N.A., Hong Kong Branch
DBS Bank (Hong Kong) Limited

STOCK CODE

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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 ended 31 March 2013 together with the comparative unaudited figures for the three months ended 31 March 2012 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2013

	Notes	Three months ended 31 March	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited and restated)
Revenue	2	7,823	1,904
Cost of sales		(2,638)	(236)
Gross profit		5,185	1,668
Other income	3	702	165
Gain on deemed disposal of jointly-controlled entity	9	463	–
Share of loss of jointly-controlled entity	8	–	(828)
Sales and marketing expenses		(2,751)	(1,006)
Administrative expenses			
– Share-based payment		(1,172)	(1,248)
– Others		(11,106)	(6,984)
Finance costs	4	(1,409)	(949)
LOSS BEFORE TAXATION		(10,088)	(9,182)
Income tax expense	5	–	–
LOSS FOR THE PERIOD		(10,088)	(9,182)
Attributable to:			
Owners of the Company		(10,044)	(9,262)
Non-controlling interests		(44)	80
		(10,088)	(9,182)
Dividend	6	–	–
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
Basic (HK\$ per share)			
– For loss for the period		0.007	0.009
Diluted (HK\$ per share)			
– For loss for the period		N/A	N/A

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2013

	Three months ended	
	31 March	2012
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Loss for the period	(10,088)	(9,182)
Other comprehensive loss:		
Exchange differences on translating foreign operations	(371)	83
Total comprehensive loss for the period	(10,459)	(9,099)
Attributable to:		
Owners of the Company	(10,405)	(9,043)
Non-controlling interests	(54)	(56)
	(10,459)	(9,099)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2013

	Attributable to owners of the Company											
	Share capital	Share premium	Contributed surplus	Exchange reserve	Option deed	Share-based payment reserve	Warrants shares 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 January 2012, as restated (audited)	2,530	68,768	31,713	8,575	19	221,354	3,933	28,609	(227,830)	137,671	69,087	206,758
Loss for the period	-	-	-	-	-	-	-	-	(9,262)	(9,262)	80	(9,182)
Other comprehensive loss for the period												
Exchange differences on translation of foreign operations	-	-	-	219	-	-	-	-	-	219	(136)	83
Total comprehensive loss for the period	-	-	-	219	-	-	-	-	(9,262)	(9,043)	(56)	(9,099)
Deemed disposal of interest in a jointly-controlled entity	-	-	-	(8,214)	-	-	-	-	1,621	(6,593)	(48,438)	(55,031)
Employee share options scheme												
Equity-settled warrant shares arrangement	-	-	-	-	-	-	837	-	-	837	-	837
Equity-settled share options arrangement	-	-	-	-	-	411	-	-	-	411	-	411
At 31 March 2012 (unaudited)	2,530	68,768	31,713	580	19	221,765	4,770	28,609	(235,471)	123,283	20,593	143,876
At 1 January 2013 (audited)	3,795	117,577	31,713	9,938	19	221,765	7,280	28,609	(273,157)	147,539	68,133	215,672
Loss for the period	-	-	-	-	-	-	-	-	(10,044)	(10,044)	(44)	(10,088)
Other comprehensive loss for the period												
Exchange difference on translation of foreign operations	-	-	-	(361)	-	-	-	-	-	(361)	(10)	(371)
Total comprehensive loss for the period	-	-	-	(361)	-	-	-	-	(10,044)	(10,405)	(54)	(10,459)
Deemed acquisition of interest in a subsidiary	-	-	-	7,995	-	-	-	-	(4,317)	3,678	207,087	210,765
Employee Share Option Scheme												
Equity-settled warrant shares arrangement	-	-	-	-	-	-	409	-	-	409	-	409
Equity-settled share options arrangement	-	-	-	-	-	763	-	-	-	763	-	763
At 31 March 2013 (unaudited)	3,795	117,577	31,713	17,572	19	222,528	7,689	28,609	(287,518)	141,984	275,166	417,150

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

These unaudited condensed consolidated financial statements should be read in conjunction with the Company's 2012 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 December 2012.

Application of new and revised HKFRS which are issued and effective

During the period ended 31 March 2012, the Group has applied for the first time of the amendments to HKFRS 11 – Joint arrangement ("HKFRS 11"). Under the amendments, HKFRS 11 are required to be accounted for using equity method of accounting. The amendments to HKFRS 11 have been applied retrospectively. Details of the investment in a jointly-controlled entity are disclosed in note 8.

Impact of new and revised HKFRSs which are issued but not effective

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

The Group is in the process of assessing the impact of the new and revised HKFRSs upon initial application but is 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. OPERATING SEGMENT INFORMATION

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

In Mainland China, the Group mainly derives its revenue from the sales of interments right and cemetery related merchandise and the rendering of funeral services. In Hong Kong, the Group mainly derives its revenue from the rendering of funeral services. Sales between segments are carried out at arm's length. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated income statement.

The executive directors and senior management assess the performance of segments based on a measure of segment results before finance costs and unallocated corporate income and expenses.

The segment results and other segment items for the three months ended 31 March 2013 are as follows:

	Mainland China HK\$'000	Hong Kong HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	4,871	2,952	7,823
Operating profit/(loss)	724	(1,948)	(1,224)
Unallocated corporate expenses, net			(7,455)
Finance costs			(1,409)
Loss before taxation			(10,088)

The segment results and other segment items for the three months ended 31 March 2012 are as follows:

	Mainland China HK\$'000	Total HK\$'000
Segment revenue:		
Sales to external customers	1,904	1,904
Operating loss	(297)	(297)
Share of loss of a jointly-controlled entity		(828)
Unallocated corporate expenses, net		(7,108)
Finance costs		(949)
Loss before taxation		(9,182)

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

	Three months ended 31 March	
	2013 HK\$'000	2012 HK\$'000
Sales of interments right and related products	2,895	–
Rendering of funeral and cremation services	4,910	1,904
Management service	18	–
	7,823	1,904

3. OTHER INCOME

An analysis of the other income is as follows:

	Three months ended 31 March	
	2013 HK\$'000	2012 HK\$'000
Rental income	246	–
Sundry income	456	165
	702	165

4. FINANCE COSTS

An analysis of the finance costs is as follows:

	Three months ended 31 March	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited and restated)
Interests on:		
– Other borrowings wholly repayable after five years	525	–
– Convertible bonds	884	949
	1,409	949

5. INCOME TAX EXPENSE

The Hong Kong Profits Tax is calculated at 16.5% of the 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.

6. DIVIDEND

The Directors do not recommend the payment of a dividend nor transfer of any amount to reserves for the three months ended 31 March 2013 (31 March 2012: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to the owners of the Company and the weighted average number of ordinary shares of 1,517,837,994 (31 March 2012: 1,066,100,496) in issue during the period.

No diluted loss per share has been calculated for periods ended 31 March 2013 and 31 March 2012 respectively, as the Company's outstanding share options, convertible bond and warrants 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 31 March	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Loss		
Loss attributable to owners of the Company used in the basic loss per share calculation:	(10,044)	(9,262)
Interest on convertible bonds	884	949
Loss attributable to owners of the Company before interest on convertible bonds	(9,160)	(8,313)

	Three months ended 31 March	
	2013	2012
	(Unaudited)	(Note (Unaudited and restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	1,517,837,994	1,066,100,496
Weighted average number of ordinary shares used in the diluted loss per share calculation	1,517,837,994	1,066,100,496

Note: The weighted average number of ordinary shares for the period ended 31 March 2012 was adjusted for the effect of rights issue with effective on 5 June 2012.

8. INVESTMENTS IN A JOINTLY-CONTROLLED ENTITY

The following table illustrates the summarized financial information of the Group's jointly-controlled entity which is accounted for using the equity method for the period ended 31 March 2012 is set out below:

	HK\$'000 (Unaudited and restated)
Share of the jointly-controlled entity's income and expenses:	
Income	1,515
Expenses	(2,594)
Income tax credit	251
Loss after taxation	828

9. DEEMED DISPOSAL OF INTEREST IN A JOINTLY-CONTROLLED ENTITY AND DEEMED ACQUISITION OF INTEREST IN A SUBSIDIARY

On 16 January 2013, Forrex (Holding) Inc. ("Forrex") who jointly controls Era Investment (Holding) Inc. ("EIHI") with Grand Creation Investments Limited ("Grand Creation"), a wholly own subsidiary of the Company, has given an unconditional irrevocable undertaking (the "Undertaking") in favour of Grand Creation pursuant to which Forrex shall vest to Grand Creation all of the voting rights enjoyed by Forrex in respect of its 50% equity interest in EIHI from time to time. The Undertaking shall be valid for a term of three years and subject to further review of the terms of the Undertaking therein upon renewal. Upon the execution of this Undertaking, the Group has the power to govern the financial and operating policies of EIHI whereby the Group has to account for such transaction as a business combination and treated EIHI as a non-wholly owned subsidiary of the Group thereafter.

Taking into account the execution of the Undertaking, the Group recognized it as a deemed disposal of 50% equity interest in EIHI, a jointly-controlled entity and a deemed acquisition of 50% of equity interest in EIHI.

The fair value of the identifiable assets and liabilities of 50% equity interest in EIHI recognized at the deemed disposal is as follow:

	50% equity interest in EIHI HK\$'000
Non-current assets	320,646
Current assets	4,333
Non-current liabilities	(99,743)
Current liabilities	(21,123)
Total identifiable net assets at fair value	204,113
Non-controlling interest	(52,173)
	151,940
	HK\$'000
Gain on deemed disposal of 50% equity interest of EIHI	463

Following the deemed disposal of 50% equity interest in EIHI, the fair value of assets and liabilities recognized at the date of the Undertaking commence in relation to the deemed acquisition of 50% equity interest in EIHI are as follows:

	50% equity interest in EIHI HK\$'000
Non-current assets	320,646
Current assets	4,333
Non-current liabilities	(99,743)
Current liabilities	(21,123)
Total identifiable net assets at fair value	204,113
Non-controlling interest	(52,173)
	151,940

With the result of the execution of the Undertaking, the Group treated such transaction as a business combination and considered it as a deemed disposal of the existing 50% equity interest in EIHI and a deemed acquisition of 50% equity interest in EIHI. No actual consideration involved in this transaction.

As at 31 March 2013, the Group has not finalized the fair value assessments for the net assets deemed disposed of and deemed acquired from this transaction. The relevant fair values of net assets deemed disposed of and deemed acquired stated above are on a provisional basis.

10. COMPARATIVE FIGURES

During the year 2012, the management of the Company has revisited the accounting treatments for certain transactions entered into by the Group in previous years and concluded that adjustments are required to be made to the comparative information presented so as to ensure that the consolidated financial statements presented are in compliance with HKFRS. The resulting changes which lead to the restatements on the unaudited condensed consolidated income statement and unaudited condensed statement of comprehensive income for the period ended 31 March 2012. Details of the restatements due to correction of prior period errors may referred to the Company's annual financial statements for the year ended 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the three months ended 31 March 2013, the revenue of Group has increased by 310.87% to approximately HK\$7,823,000 as compared to the three months ended 31 March 2012 of HK\$1,904,000. The significant increase in revenue was mainly due to the new accounting treatment adopted in this period. This has the effect of a 100% full consolidation of the results of Era Investment (Holding) Inc. ("EIHI"), a previous jointly-controlled entity of the Group, following an unconditional irrevocable undertaking (the "Undertaking") provided by Forrex (Holding) Inc. ("Forrex"), a partner of EIHI, on 16 January 2013, in favour of Grand Creation Investments Limited ("Grand Creation"), a wholly owned subsidiary of the Company.

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

For the three months ended 31 March 2013, the gross profit for the Group was approximately HK\$5,185,000 (three months ended 31 March 2012: HK\$1,668,000). The overall gross profit margin for the Group was 66.28% during the current period (three months ended 31 March 2012: 87.61%).

The loss for the period ended 31 March 2013 was approximately HK\$10,088,000 (three months ended 31 March 2012: HK\$9,182,000) and is mainly derived from the sales and marketing expenses and the administrative expenses such as staff costs and rental expenses.

The Company is catching up the momentum of the business in this revolutionary deathcare industry both in Hong Kong and China. The Board believes that the present costs and expenses are essential for achieving the market position and strive to achieve a remarkable operating scale in the coming future. The Company also see the recent progress from the provision of funeral services and products in Hong Kong shows a positive sign of the direction of our deathcare business model.

Sales and marketing expenses

Sales and marketing expenses for the period were HK\$2,751,000, which have increased from HK\$1,006,000 in prior period. The expenses were mainly associated with respective sales and marketing staff costs and corporate marketing promotion events mainly for Hong Kong and international business.

Administrative expenses

Administrative expenses for the period have increased from HK\$6,984,000 for the period ended 31 March 2012 to HK\$11,106,000 for the period ended 31 March 2013. The administrative expenses during the current period mainly comprised of the staff costs and rental expenses. The total staff costs have increased by 48.43% from HK\$3,599,000 for the period ended 31 March 2012 to HK\$5,342,000 for the period ended 31 March 2013 due to additional operation staff were recruited since late 2012.

Finance costs

Finance costs have increased by HK\$460,000 from HK\$949,000 incurred during the period ended 31 March 2012 to HK\$1,409,000 during the period ended 31 March 2013. It represents the interest expense incurred in the convertible bond issued by the Company to Forrex and the other borrowing.

Operation review – Hong Kong

Funeral services

In Hong Kong, we have two funeral undertaking shops in Hung Hom and Wanchai respectively which offer a complete range of funeral services and products both at the time of need and on a preneed basis. It has provided a refreshed and people-oriented environment for those families in need with an affordable and transparent price. Our services and products include family counseling, arrange the use of funeral parlour facilities, coordinating the funeral arrangements and ceremonies, supervision of funerals, transfer and removal of remains to funeral parlour, transfer to place of final disposition, documentations & filings, urns, flowers and memorial items.

For sea burial, we, as the service contractor appointed by The Government of the Hong Kong Special Administrative Region, act as a funeral director, are on board to assist family members and friends during memorial ceremonies and accommodate different religious rituals. The Group will continue to extend our funeral services and sales of related funeral products to the public in Hong Kong. With the shortage of niche and burial plot available in Hong Kong, the Group always has a mission and social responsibility to give a hand to relief the stress through different alternative solution.

As a pioneer to revolutionize the funeral industry, we will continue to promote new funeral products and services and a number of innovative items will be launched in the second quarter.

Preneed funeral plan

The Group had launched preneed funeral plans in late 2012 and received positive feedback. These plans represent future incremental business for the funeral service division. Preneed funeral plans enable families to specify and prepay for funeral services and products in advance. Customers can lock in the price of funeral services through such prepaid contract to avoid any future increase in cost of the funeral services. Currently, we market our preneed services and products to elderly customers. Our long-term goal is to capture the mid-age customer group by providing installment plan.

Operation review – China

Cemeteries

The revenue from Suzhou cemetery for the first quarter in 2013 was similar to that of prior period. However, last period's turnover was not consolidated into the prior period results due to restatement under equity accounting. The new site also received a positive feedback from the customers and increase of popularity of Suzhou cemetery in the neighborhood community. The board is of optimistic view that the revenue of Suzhou will be improving in future following the remodeling of its site.

The Group has obtained the land use rights of the cemetery in Huaiji as at reporting date, the planning and infrastructure work of the cemetery will commence accordingly. Cemetery sales are expected to be recorded in second quarter of 2013.

Funeral services

The funeral home and cremation businesses in Huaiji is remain steady during the period. With the local government grants, the Group has replaced the furnaces in late 2012 in order to improve the efficiency of the cremation time. Moreover, with the local government's education to the residents and the effort we contributed, the cremation rate in Huaiji is improving continuously.

Prospects

The Group will continuously concentrate on the deathcare business in three major areas: (i) cemetery operation and management; (ii) funeral services and (iii) preneed funeral plan. However, the Group will from time to time, monitor the progress of the performance and contribution of respective business units to maximize Shareholder's value, in particular, the profitability and cashflow contribution of respective business units. The Company will also look for suitable opportunities for any fund raising activity to cope with the Group's operation and capital needs.

Employees and remuneration policies

As at 31 March 2013, the Group had 117 (three months ended 31 March 2012: 102) employees, including Directors. Total staff costs for the three months ended 31 March 2013, including Directors' remuneration, amounted to approximately HK\$5,342,000 (three months ended 31 March 2012: HK\$3,599,000). The Group's employment and remuneration policies remained the same as detailed in the year ended 31 December 2012 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 31 March 2013.

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

As at 31 March 2013, the interests or short positions of the Directors and chief executives in the shares, underlying shares and convertible bonds of the Company and its associated corporation, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the model code for Securities Transactions 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:

(A) Long positions

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	33,494,489	34,154,489	2.25%
Mr. Law Yee Man, Thomas	Personal	4	400,000	1,117,346	1,517,346	0.10%
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 an initial conversion price of HK\$0.04 per share and subsequently adjusted to 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 next section headed “share options” which stated all the details of share options granted to Directors.

(B) *Warrants*

Name	Capacity	Number of adjusted warrants held	Number of adjusted 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 convertible bonds of the Company or any of its associated corporations as at 31 March 2013.

(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 31 March 2013 were as follow:

	Number of share options				Outstanding and exercisable as at 31 March 2013	Date of grant	Exercise period	Exercise price per share
	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed 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
	-	15,170,000	-	-	15,170,000	18 January 2013	18 January 2013 – 17 January 2023	HK\$0.118
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
Sub total	31,732,651	15,170,000	-	-	46,902,651			

Number of share options

	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding and exercisable as at period ended 31 March 2013	Date of grant	Exercise period	Exercise price per share
<i>Category 2: Employees/consultants</i>								
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	3,575,510	-	-	-	3,575,510	14 December 2007	14 December 2007 – 13 December 2017	HK\$0.626
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
Sub total	55,165,650	-	-	-	55,165,650			
Total	86,898,301	15,170,000	-	-	102,068,301			

There were no share options cancelled, lapsed or forfeited during the three months ended 31 March 2013.

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

As at three months ended 31 March 2013, the following shareholders (including Directors) had interests or short position in the shares, underlying shares or convertible bonds 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 Securities and Futures Ordinance (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	4	–	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		86.30%
		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		248,076,441	–	248,076,441	Long	16.34%
Capital VC Limited	Beneficial owner		166,834,000	–	166,834,000	Long	10.99%
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%

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 an initial conversion price of HK\$0.04 per share and subsequently adjusted to 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"). AXA and Mr. Chui are parties acting in concert. 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 an initial conversion price of HK\$0.787 per share and subsequently adjusted to 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 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 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. 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 EIHI.
7. The 3% convertible bonds of the Company in the principal amount of HK\$30,750,000 was held by Forrex ("Forrex CB"), which are convertible into 159,326,424 shares at the 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.

On 15 August 2012, the Company and Forrex entered into the Deed of Amendment in relation to the extension of the maturity date of the Forrex CB, the maturity date will be extended to 31 May 2016 from the original maturity date which fall due on 30 September 2012.

On 16 January 2013, Forrex who jointly controls EIHI with Grand Creation Investments Limited ("Grand Creation"), a wholly own subsidiary of the Company, has given an unconditional irrevocable undertaking (the "Undertaking") in favour of Grand Creation pursuant to which Forrex shall vest to Grand Creation all of the voting rights enjoyed by Forrex in respect of its 50% equity interest in EIHI from time to time. Upon the execution of this Undertaking, the Group has the power to govern the financial and operating policies of EIHI and considered as a non-wholly owned subsidiary of the Group thereafter.

Save as disclosed above, as at three months ended 31 March 2013, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or convertible bonds 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.

Securities transactions by directors

The Company has established written guidelines for the required standard of dealings in securities by directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of Directors of the Company and the Directors confirmed that they have fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliance during the three months ended 31 March 2013.

Director's interests in competing business

During the three months ended 31 March 2013 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 businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group.

Mr. Chui maintains certain interests of companies which consist of deathcare and related business in Hong Kong and China. As such, the Board believes that Mr. Chui may, in some respects, regard as being interested in such competing businesses (the "Competing Businesses") with the Group.

However, the 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.

Arrangements to purchase shares or convertible bonds

Other than the options holdings and the convertible bonds disclosed above, at no time during the three months ended 31 March 2013 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or convertible bonds of, the Company or any other body corporate.

Compliance with corporate governance practices

The Company has adopted the Corporate Governance Code (the "CG Code") as stated in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

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 three months ended 31 March 2013, 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 deviation from the code provision A2.1, separation of roles of Chairman and Chief Executive Officer pursuant to code provision A2.1 as disclosed in the section “Chairman and Chief Executive Officer”, the Company has met all the code provisions in the CG Code during the three months ended 31 March 2013.

Audit committee

The Company has established an Audit Committee (“AC”) with specific terms of reference explaining its role and authorities delegated by the Board. The AC consists of three independent non-executive Directors, namely Mr. Chan Wai Man (Chairman of AC), Mr. Law Yee Man, Thomas and Mr. Siu Hi Lam, Alick, who together have sufficient accounting and financial management expertise, legal and business experience to discharge their duties and none of them is a former partner of the external auditors of the Company. In accordance with the provisions of the CG Code, the terms of reference of the AC were also revised which are substantially the same as the provisions set out in the CG Code.

The AC’s principal duties include reviewing the Group’s financial controls, internal control and risk management systems, reviewing and monitoring integrity of consolidated financial statements and reviewing annual, interim and quarterly consolidated financial statements and reports before submission to the Board and considering and recommending the appointment, re-appointment and removal of external auditors of the Company. The AC meets with the external auditors and the management of the Group to ensure that the audit findings are addressed properly. The AC is authorized to take independent professional advice at Company’s expense, if necessary.

The AC has reviewed the Group’s unaudited result for the three months ended 31 March 2013.

By order of the Board
SAGE INTERNATIONAL GROUP LIMITED
Chui Bing Sun

Chairman and executive Director

Hong Kong, 15 May 2013

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.